

IN CONTEXT

Navigating storms together
with conviction, courage and empathy





In the Annual Report 2022, we presented the report theme in mirrored text on the front cover while re-presenting it in standard text on the inner cover. This design aimed to evoke the disorienting and turbulent operating landscape in Sri Lanka during 2022.

In this year's report, we present the theme in standard text on the cover to signify the gradual progression of our journey towards calmer waters, as we navigate out of the tempest with conviction, courage and empathy.



**Strongest Bank in Sri Lanka 2023 -
The Asian Banker Magazine**



• Our Vision

To be the most technologically advanced, innovative and customer friendly financial services organization in Sri Lanka, poised for further expansion in South Asia.



• Our Mission

Providing reliable, innovative, customer friendly financial services, utilizing cutting edge technology and focusing continuously on productivity improvement whilst developing our staff and acquiring necessary expertise to expand locally and regionally.



• Our Purpose

To be a responsible financial services provider by enabling and empowering people, enterprises and communities towards environmentally-responsible, socially-inclusive and economically-enriching growth.

• Our Values

Accountability – We live by our brand values, ready to take responsibility for our actions towards all stakeholders.

Responsible citizenship – Continuing our commitment to the community we focus on making lives better and being a force for good.

Fairness – We focus on doing the right thing by all our stakeholders so that their trust in us continues to deepen, enriching invaluable relationships.

Honesty – We strive to earn and retain the trust of our stakeholders through transparent actions that inspire them and align with their values.

Integrity – Maintaining our integrity is of paramount importance to us in ensuring that our brand value keeps growing for all stakeholders.



IN CONTEXT

Navigating storms together with conviction, courage and empathy

In a volatile financial landscape characterised by steadiness at times and turbulence at others, the Bank draws its strength from unwavering conviction, fortified by boundless courage and profound empathy. This is the foundation on which our dedicated staff helps shape the future for our valued customers and other stakeholders. Each financial story is unique and we are committed to supporting them in crafting it with innovative solutions that truly matter. As we face challenges and seize opportunities, we stand as a steadfast partner, navigating the path forward together.

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At the heart of our success lies a simple yet powerful truth – Commercial Bank is more than just a financial institution; it is a catalyst for change, a champion of progress and a steadfast partner in the journey towards a brighter future.



Page 32

Embracing a technology-centric approach with a human touch, the Bank remains steadfast in its commitment to digitising every facet of the customer journey, thereby guaranteeing flawless interactions, seamless experiences and operational prowess.

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Corporate Information – Inner Back Cover

This Integrated Report and Financial Statements is published within three months of the date of the Statement of Financial Position. The comprehensive end to-end online HTML version and the interactive PDF version are also published online on the same date as the date of issue of this Integrated Report and Financial Statements at <https://combank2023.annualreports.lk/>

Scan to view the comprehensive end to end online HTML version



Scan to view the interactive PDF version



All the industry related figures mentioned in this Annual Report have been extracted/computed/annualised based on the information published by the CBSL as at September 30, 2023.

Look out for these throughout the report:

- Reference to another page, table, figure or graph in the report
 Reference to further reading online

Annual Report of the Board of Directors

Preamble

The Board of Directors of Commercial Bank of Ceylon PLC (the Bank) is pleased to present to the shareholders the 55th Annual Report of the Bank comprising an integrated report, the Audited Financial Statements of the Group and the Bank for the year ended December 31, 2023 and the Independent Auditors' Report on the Financial Statements conforming to all applicable statutory requirements. Besides the printed report, considering the growing popularity of digital formats, the Bank has made it available in a number of digital formats such as an HTML version and an interactive PDF.

Integrated reporting and strategic thinking

This Integrated Report, where applicable, is presented in accordance with the Guiding Principles and the Content Elements as stipulated by the International <IR> Framework of the IFRS Foundation.

The Bank has obtained independent assurance on Integrated Annual Report and Sustainability Reporting Criteria presented in the Integrated Annual Report from Messrs Ernst & Young and the above independent assurance reports are appearing on pages 472 to 475.

This Report effectively communicates the Bank's efforts to create value for all its stakeholders across the short, medium and long-term through its business model (depicted on pages 58 and 59) and identifies the emerging developments and trends that are likely to impact its business model and the value creation process.

These trends have been categorised into risks and opportunities based on their importance to the Bank and its stakeholders, together with the stakeholders that are likely to be affected most. Through its annual strategic planning exercise, the Bank has developed a Sustainability Framework and identified strategic imperatives and continued to execute the required strategies to mitigate risks and capitalise on opportunities.

A detailed account of the three pillars of the Sustainability Framework, the strategic imperatives and strategies are given in the Management Discussion and Analysis (pages 62 to 159) contained in this Report. The underlying governance structure and the risk management framework are detailed on pages 160 and 258.

Board's responsibility

According to sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007 and amendments thereto, the Bank's Board of Directors is responsible for the preparation of the Financial Statements of the Group and the Bank, which reflect a true and fair view of the financial position and performance of the Group and the Bank. In this respect, the Board of Directors wishes to confirm that the Financial Statements, namely, Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Material Accounting Policies and Notes thereto appearing on pages 267 to 420 have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto.

This Report also provides the information and disclosures as required by the Companies Act No. 07 of 2007 and amendments thereto, Banking Act No. 30 of 1988 and amendments thereto, the Directions issued thereunder including the Banking Act Direction No. 11 of 2007 and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9.14.8 (4) thereof and the Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Board of Directors has approved and authorised for issue the Financial Statements of the Group and the Bank for the year ended December 31, 2023, including comparatives for 2022, in accordance with the resolution of the Directors on February 21, 2024. Within the statutory time limits, the appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) and soft copies of same will be hosted on the website of the Bank, www.combank.lk.

The opinion expressed by the Bank's External Auditors, Messrs Ernst & Young, who were appointed in accordance with a resolution passed at the 54th Annual General Meeting held on March 30, 2023, is given on pages 262 to 264 of this Annual Report. The details on the remuneration of

External Auditors are given in Note 21 on page 311 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship with the Bank, or any of its subsidiaries and the associate. The External Auditors do not have any interest in contracts with the Bank, or any of its subsidiaries and the associate.

The Board, to the best of its knowledge and belief, is satisfied with the timely disbursement of all statutory payments to the Government, other regulatory institutions and to employees.

Having reviewed the business plans of the Bank and its subsidiaries and the associate, the Board of Directors is satisfied that the Bank and its subsidiaries and the associate have adequate resources to continue their operations in the foreseeable future. Accordingly, the Financial Statements of the Group and the Bank are prepared based on a going concern assumption.

The Bank will conduct a gap analysis on the applicability of Sustainability Accounting Standards IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures and will make appropriate disclosures commencing from the year ending December 31, 2024.

Extent of Compliance with applicable Statutes, Directions and Codes on Governance

The extent of compliance with the requirements of Section 168 of the Companies Act No. 7 of 2007 and amendments thereto and other relevant statutes is disclosed in detail on pages 216 to 223 while a comprehensive disclosure on the extent of compliance with the requirements of the following Directions and Code on Good Governance is given in Annex 1 on pages 422 to 450.

- The Banking Act Direction No. 11 of 2007 and subsequent amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (Annex 1.1 on pages 422 to 433)
- The Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka (Annex 1.2 on pages 434 to 438)
- Compliance with requirements of Section 9 of the Listing Rules of the Colombo Stock Exchange (Annex 1.3 on pages 439 to 445)

- Disclosure requirements under the prescribed format issued by the Central Bank of Sri Lanka (CBSL) for preparation, presentation and publication of Annual Audited Financial Statements of Licensed Commercial Banks (Annex 1.4 on pages 446 to 450)

Fifty Fifth (55th) Annual General Meeting

Shareholders are kindly requested to attend the Fifty Fifth Annual General Meeting of the Bank to be held at the Galadari Hotel,

"Grand Ballroom", No. 64, Lotus Road, Colombo 01, on Thursday, March 28, 2024, at 2.30 p.m. as stated in the Notice of Meeting given on page 491 of this Annual Report which is signed in accordance with a resolution adopted by the Directors.

External assurances obtained			
Internal Controls	Financial Statements	Sustainability Reporting	Integrated Reporting
Independent Assurance Report on the Directors' Statement on Internal Control	The Bank's external Auditors, Messrs Ernst & Young, have assured the Group's Financial Statements	Messrs Ernst & Young have assured the Bank's Sustainability Reporting Criteria presented in the Integrated Annual Report	Messrs Ernst & Young have assured the Bank's Integrated Annual Report
Sri Lanka Standard on Assurance Engagements SLSAE 3050 (Revised)	Sri Lanka Auditing Standards	Sri Lanka Standard on Assurance Engagements SLSAE 3000 (Revised)	Sri Lanka Standard on Assurance Engagements SLSAE 3000 (Revised)
Page 228	Pages 262 to 264	Pages 472 and 473	Pages 474 and 475

Having carefully considered the matters material to the Bank and its stakeholders, the Board of Directors acknowledges that reasonable care has been exercised in the preparation and presentation of this Integrated Report and Financial Statements while preserving its integrity.

As required in terms of Section 168 (1) (k) of the Companies Act No. 7 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

Signed in accordance with a resolution of the Board of Directors.

Prof A K W Jayawardane
Chairman

S Muhseen
Deputy Chairman

S C U Manatunge
Managing Director/
Chief Executive Officer

L D Niyangoda
Director

Ms N T M S Cooray
Director

Ms J Lee
Director

R Senanayake
Director

Ms D L T S Wijewardena
Director

S Prabagar
Executive Director/
Chief Operating Officer

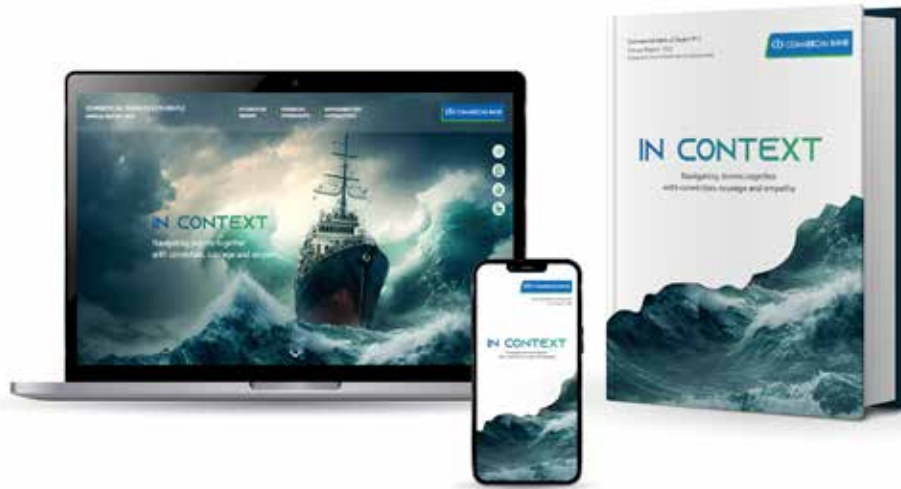
Dr S Selliah
Director

D N L Fernando
Director

P M Kumarasinghe
Director

R A P Rajapaksha
Company Secretary
February 21, 2024

Introducing our 55th Annual Report



Continuing the journey

Since 2013, Commercial Bank of Ceylon PLC has been producing its annual report in accordance with the guiding principles and the content elements of the International <IR> Framework for integrated reporting. This Report comprising the Integrated Report and the Financial Statements is the 55th Annual Report of the Bank and covers the 12-month period from January 01 to December 31, 2023 and is consistent with our usual annual reporting cycle for financial and sustainability reporting. This follows our most recent Annual Report for the year ended December 31, 2022, for which comparatives are given, where applicable.

In response to stakeholder demands and industry best practices, we have diligently refined this Report to offer succinct yet comprehensive account of the Bank's financial as well as non-financial performance. Accordingly, each main section of the Report commences with a clear and concise overview, expanding into detailed narratives, ensuring that our diverse stakeholders gain profound insights into the Bank's significant milestones and performance in 2023. Thereby, this Annual Report seeks to provide a holistic and integrated narrative of the Bank's performance, operations and strategic imperatives, leading to sustainable value creation.

Transcending the medium to a handful of avatars

In tune with last year's trends and the modern approach to annual reporting, our Annual Report takes on various forms to suit the preferences of our diverse stakeholders, following the Swiss Army Knife model. While a limited number of printed reports have been produced, we have prioritised digital accessibility for environmental sustainability and compliance with regulations. Readers who prefer the ease of accessing our Annual Report online through either a computer or mobile device can access our Online Interactive (HTML) version of the Annual Report while a soft copy (PDF) version is hosted on the websites of the Bank as well as the CSE for those who would like to maintain an easy-portable digital version of the Annual Report. The Report can also be accessed by scanning the QR code given on page 2. These measures aim to balance the disparate imperatives of conciseness, comprehensiveness and accessibility in our disclosure practices.



Scan to create a calendar entry for the Annual General Meeting

Regardless of the medium, this Annual Report remains a key resource for investors, offering profound insights into our growth trajectory, governance framework in place and the strategies driving our expansion. It is our commitment to delivering comprehensive and accessible information, ensuring effective investor engagement across all channels.

Strategic focus and plurality of capitals

Sections 2.17 & 2.18 of the International <IR> Framework of the IFRS Foundation gives discretion to organisations to structure an integrated report and select capitals that suit the Organisation most. Accordingly, this Report is structured based on the Bank's 3-Pillar Approach to sustainability, viz. Sustainable Banking, Responsible Organisation and Community Engagement, giving the reader a clear understanding of the Bank's Sustainability Framework given on page 54 and how it will help the Bank achieve the underlying purpose of *"Being a responsible financial services provider by enabling and empowering people, enterprises and communities towards environmentally-responsible, socially inclusive and economically-enriching growth"*.

How the activities undertaken under these three pillars and in terms of the four strategic imperatives of Prudent Growth, Customer Centricity, Leading through Innovation and Operational Excellence lead to value creation over short, medium and long-term for the mutual benefit of the Bank and the various stakeholders, which is reflected in financial, manufactured, intellectual, human, social and relationship and natural capitals is given on pages 60 and 61. While assimilating the many efforts – mostly in inhospitable times – made by the Bank's cross-disciplinary leadership into cohesive and convergent outcomes, this structure highlights how the plotted course of action will propel the Bank forward and sustain the value creation process while contributing to eight UN Sustainable Development Goals (SDGs) most relevant to the Bank in the context of guiding principles, standards and governance structure.

Criteria underlying the preparation of this Annual Report

- Strategic focus and future orientation
- Integrated thinking
- Non-financial information
- Guiding principles and frameworks
- Qualitative criteria
- Independent assurances

An integrated thinking cap

- Since adopting integrated reporting aligned with the <IR> Framework in 2013, the Bank has bolstered integrated thinking, harmonising diverse facets. This transformation enhances sustainability by mitigating risks, breaking silos, optimising costs and streamlining capital allocation. Beyond aligning economic objectives with societal and environmental goals, this integration extends to various other dimensions, as you will find later in this Report:
- Formerly operating as a physical establishment, the Bank has transformed into a digital superstore, offering a range of user-friendly integrated products showcased on virtual shelves.
- Strategically repurposing its approach, the Bank aims to adjust its business model to better align with emerging and disruptive forces of change.

- Evolving from a function-centric and team-oriented structure, the Organisation has transitioned into a cross-functional integrated entity.
- Implementation of unified service standards across all channels ensures a consistent customer experience.
- The Bank emphasises key messages consistently across all communication channels for enhanced clarity.
- Leveraging integrated software systems, the Bank achieves elevated levels of efficiency and agility.
- Integrated audits now employ a combination of onsite, offsite, online, and near real-time methodologies.
- Integration of data from diverse sources results in a cohesive and unified perspective.
- Information is accessible across various channels and about products within the Bank.
- Collaborative efforts with other service providers, including telcos, insurers, other banks, Non-Banking Financial Institutions (NBFIs) and fintechs, are pursued by the Bank.

Non-financial information

Recent trends highlight a growing demand for non-financial information alongside traditional financial reporting, indicating a shift in stakeholders' preferences, especially among financial capital providers. The Bank recognises the evolving information needs within the dynamic operational environment. Notably, investors are increasingly prioritising the future potential of the Bank over its past performance and sustainability over profitability. Non-financial information is gaining significance in evaluating this future potential and sustainability. Consequently, we have expanded our disclosures to include enhanced information beyond historical financial data. This includes non-financial and future-oriented insights, emphasising the Bank's capacity to create value in the short, medium and long term a key aspect of sustainability and integrated reporting.

Basis of preparation

This Report has been prepared in line with the International <IR> framework. The Bank's social and environmental impacts are presented in accordance with the GRI Standards. It also comments on the Bank's contribution towards eight of the UNDP Sustainable Development Goals most relevant to the Bank (pages 54 and 119).

The concepts, principles and guidelines used in the preparation of this Annual Report are drawn from the following sources:



The International Financial Reporting Standards Foundation (IFRS)

[\(https://www.ifrs.org/\)](https://www.ifrs.org/)



The Global Reporting Initiative Sustainability Reporting Guidelines – GRI Standards

www.globalreporting.org



A Preparer's Guide to Integrated Corporate Reporting, published by CA Sri Lanka

Handbook on Integrated Corporate Reporting, published by CA Sri Lanka in collaboration with The Integrated Reporting Council of Sri Lanka

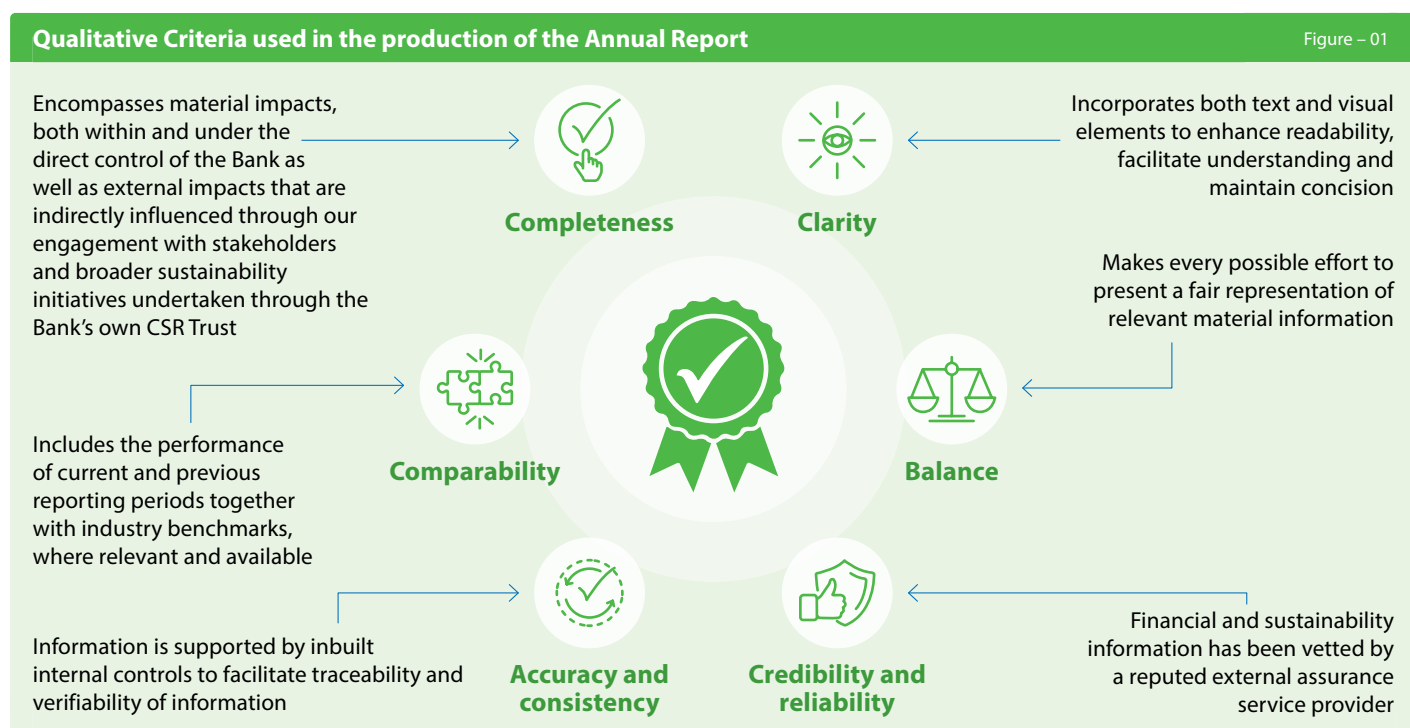
www.casrilanka.com

Sustainability Framework of the Bank – Page 54

Report boundary

The Financial Statements depict the consolidated performance of the entire Group, which includes the Bank along with seven subsidiaries – Commercial Development Company PLC, CBC Tech Solutions Limited, CBC Finance Ltd., Commercial Insurance Brokers (Pvt) Ltd., Commex Sri Lanka S.R.L. Italy (liquidation is nearing completion), Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Company Limited – and the associate – Equity Investments Lanka Ltd. (refer the Consolidated Financial Statements on pages 267 to 420).

Unless stated otherwise, the Bank's social and environmental impact, as discussed within the Management Discussion and Analysis on pages 62 to 159, focuses on both Sri Lankan and Bangladesh operations of Commercial Bank of Ceylon PLC, the parent entity of the Group which accounts for more than 97% of Group's revenue, loans and advances, deposits and assets.



Based on internal and external assessments, the Bank's operations in Sri Lanka and other countries such as Bangladesh are captured within the material aspects boundaries. The Bank consistently takes into account the reasonable aspirations and expectations of its stakeholders, engaging with them through various means, as depicted in "Connecting with Stakeholders" and "Material Matters" on pages 38 to 47. The content of this Report is determined with these considerations in mind. The information is presented in a sustainability context, covering topics that reflect the Bank's substantial economic, environmental and social impacts, significantly influencing stakeholder decisions. To enhance stakeholder convenience, the Report includes quantitative and qualitative data, along with reliable external benchmarks whenever possible, ensuring completeness and facilitating comparisons and further analysis.

During the year under review, there were no significant changes in the organisation type, structure, ownership, supply chain or topic boundaries. Additionally, there were no changes in reporting or restatements to the previously reported financial, social or environmental information.

Quality assurance

Through this integrated report, we set out to provide you with a holistic and meaningful picture of our business model, sustainability framework, strategy, governance framework, performance and future prospects. We also strive to illustrate the value created by the Bank in terms of non-financial resources such as human, natural, intellectual and social and relationship capitals, in addition to financial and manufactured capital. We have also taken every effort to provide credible information with the aid of visual elements such as figures, graphs and tables in a consistent manner facilitating clarity and comparability. The qualitative criteria taken into account in the production of both text and visual elements presented in this Annual Report are given in Figure 01.

Precautionary principle

We remain cognisant of the direct and indirect social, climate and environmental implications of our operations, particularly the indirect consequences stemming from the business activities of our borrowers. We consistently fulfil our *de facto* role by actively avoiding, mitigating and addressing

any adverse impacts through the Bank's sustainability framework viz., ongoing review of credit policies, stronger screening based on the Social and Environmental Management System (SEMS), close post-disbursement supervision, dedicated green portfolio of products and astute risk management procedures.

While our business model and operations do not inherently generate significant negative environmental impacts, we are committed to minimising our carbon footprint. Initiatives such as the adoption of solar energy, energy-efficient air conditioning and the elimination of paper usage in our processes underscore our dedication to sustainability. These endeavours led the Bank to achieve the distinction of becoming the first fully carbon-neutral bank in the country in 2020, complemented by carbon credits. We are now progressing towards achieving carbon neutrality on our own. Figure 02 on page 8 outlines the guiding principles, regulations, codes and acts influencing financial and narrative reporting, sustainability goals and practices and the governance of the Bank.

Responsibility for sustainability practices and external assurance

Guided by the Bank's Sustainability Framework and the Executive Sustainability Committee, the responsibility for the sustainability practices and disclosures in this Report lies with the Bank's Managing Director/Chief Executive Officer, the Executive Director/Chief Operating Officer and other members of the Corporate Management. They actively collaborated with external assurance providers to ensure the credibility of the Report's content.

The Bank's External Auditors, Messrs Ernst & Young, have provided assurance for the Group's Financial Statements, Integrated Annual Report and Sustainability Reporting Criteria presented in the Integrated Annual Report 2023. The Board of Directors and the Management have no other relationship with Messrs Ernst & Young, aside from their engagement as an Independent Assurance Service provider for the Group.

Navigation icons

3-Pillars of the Sustainability Framework



Sustainable Banking



Responsible Organisation



Community Engagement

Capitals



Financial Capital



Manufactured Capital



Intellectual Capital



Human Capital



Social & Relationship Capital



Natural Capital

Stakeholders



Investors



Customers



Employees



Society and Environment



Business Partners



Government Institutions and Regulators

Guiding principles, regulations, codes and Acts for financial and narrative reporting

Figure – 02

Financial Reporting



THE INSTITUTE OF
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OF SRI LANKA

Sri Lanka Accounting Standards (SLFRSs & LKASs) and Auditing Standards Act No. 15 of 1995

Companies Act No. 07 of 2007 and amendments thereto (Companies Act)

Circular No. 2 of 2019 on the Preparation, Presentation and Publication of Annual Audited Financial Statements of Licensed Commercial Banks issued by the CBSL

Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks



Banking Act Direction No. 14 of 2021 on Classification, Recognition and Measurement of Financial Assets other than Credit Facilities in Licensed Banks



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OF SRI LANKA

Guidelines issued by CA Sri Lanka in the form of Statements of Alternative Treatment (SoAT)



COLOMBO STOCK EXCHANGE

Listing Rules of CSE

Sustainability Reporting



GRI Standards – Revised 2021 issued by the Global Sustainability Standards Board (GSSB)



United Nations
Global Compact

UNGC Principles and UN Sustainable Development Goals



Sustainability Accounting Standard for Commercial Banks of the Sustainability Accounting Standards Board (SASB) of the IFRS Foundation

Corporate Governance

Banking Act Direction No. 11 of 2007



Listing Rules of CSE



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OF SRI LANKA

Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka



SECURITIES AND EXCHANGE
COMMISSION OF SRI LANKA

Securities and Exchange Commission of Sri Lanka – Act No. 36 of 1987 (as amended)

Assurance

Sri Lanka Auditing Standards

Sri Lanka Standard on Assurance Engagements SLSAE 3000 (Revised); Assurance Engagements other than Audits or Review of Historical Financial Information

Contact

Your comments or questions on this Integrated Report are welcome and we invite you to direct them to:

Chief Financial Officer

Commercial Bank of Ceylon PLC
"Commercial House"
No. 21, Sir Razik Fareed Mawatha
Colombo 01
Sri Lanka

Narrative Reporting



International <IR> Framework



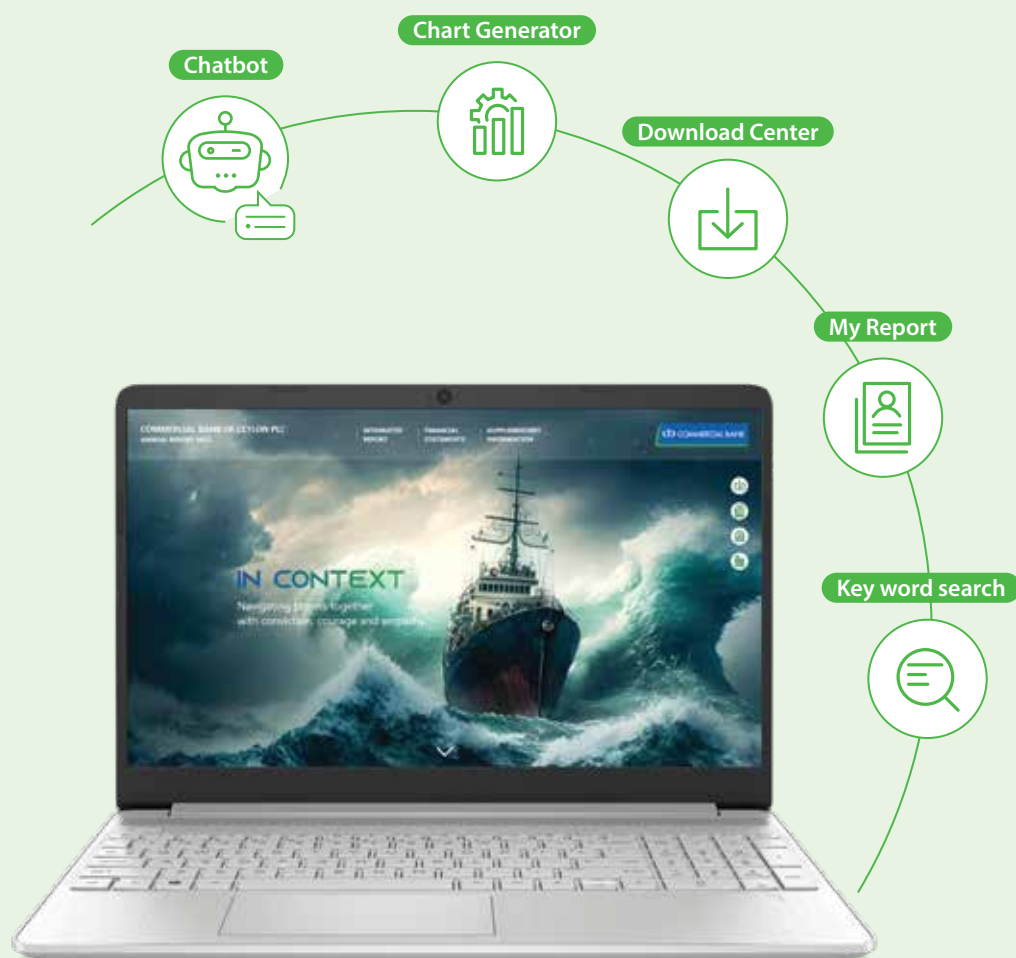
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- A Preparer's Guide to Integrated Reporting by CA Sri Lanka in collaboration with the Integrated Reporting Council of Sri Lanka
- Handbook on Integrated Corporate Reporting by CA Sri Lanka
- Non-Financial Reporting Guidelines

Transcending mediums

The comprehensive end to end online HTML version of this Integrated Report and Financial Statements contains features to facilitate easy navigation across various sections of this Report including Business Model, Statement of Capital Position, Duality of Value Creation, Animated Graphs, Notes to the Financial Statements that appear on a mouse over and hyperlinked cross references.

Further, this HTML version also includes the following unique user-friendly features.



Scan to view the
comprehensive end to end
online HTML version



Scan to view the interactive
PDF version

Steps taken by the Bank to enhance transparency

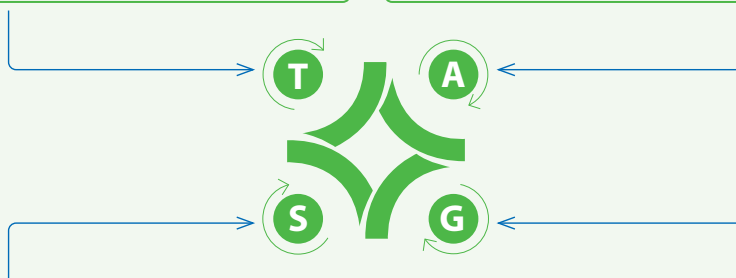
Transparency builds trust and credibility with stakeholders, enabled informed decision making, identify and manage risks, facilitates regulatory compliance and enhances reputation. The Bank has taken several measures to enhance transparency, including:

- Prioritised openness, honesty and accuracy in all communications, ensuring customers are well-informed about products, services, and policies.
- Engaged with stakeholders through social media, demonstrating transparent communication and prompt issue resolution to maintain trust and strengthen relationships.
- Remaining compliant with mandatory and voluntary reporting standards and requirements, setting internal standards more stringent.
- Paid special emphasis to making the basis of granting ESOPs and their features transparent, prior to seeking approval from the shareholders.
- Using global frameworks such as GRI and International <IR> Framework to measure and disclose sustainability performance, aiming to enhance long-term stakeholder value.
- Fosters transparency and open communication by providing staff access to policies and procedures via the intranet and website, while also allowing unrestricted access for employees and trade union representatives to engage with management regarding their concerns.

Steps taken by the Bank to enhance accountability

Accountability promotes ethical behaviour, transparency and effective governance practices which will lead to enhance stakeholder trust, mitigate risks and improve long-term sustainability. The Bank has taken several measures to promote accountability, including:

- The Board Related Party Transactions Review Committee assists the Board in maintaining accountability and transparency in relation to related party transactions with the required disclosures.
- A number of policies including Code of Ethics, Gift Policy, Communication Policy, Credit Policy, Anti-Bribery and Anti-Corruption Policy, Whistleblowers' Charter and Conduct Risk Management Policy demand highest standards of honesty, integrity and accountability from every employee.
- Separation of the roles of the Chairman and the Chief Executive Officer making their roles and responsibilities clearly distinctive.
- Preparation of an Integrated Report featuring comprehensive voluntary disclosures surpassing compliance requirements, clearly demonstrating the Bank's accountability to the stakeholders.
- Implementing the Three Lines of Defence model for risk management fostering a responsible risk culture with clear accountability at every level.
- Adoption of a capital augmentation plan and liquidity contingency plan, Business Recovery Plan.



Steps taken by the Bank to enhance sustainability

Sustainability enables value creation in the short, medium and long term with the interests of all the stakeholders at heart in an environmental friendly, socially responsible economically viable manner. The Bank is committed to integrating sustainability into its operations, culture and value chain. Some of the measures the Bank has taken to promote sustainability are given below:

- Adoption of a Sustainability Framework, a blueprint steering the Bank towards a future where economic prosperity harmonises with environmental conservation and social equity.
- Establishment of Executive Sustainability Committee and Sustainability Working Group to guide sustainability initiatives.
- Adoption of a Green Financing Policy encompassing the overall green financing processes and functions together with green initiatives and activities.
- Instilling principles like the 4R (Reduce, Reuse, Recycle and Recover) and Circular Economy concepts among staff.
- Adopting a climate position statement, underscoring the Bank's proactive approach to minimizing the ecological footprint.
- Unveiling of the evolved logo reflecting the Bank's dedication to total sustainability in all spheres of its operations and practical commitment to the way it does business.

Steps taken by the Bank to enhance governance

Governance enables managing risks, complying with regulations, building stakeholder confidence, enhancing financial performance, effective Board oversight, promoting ethical conduct and effectively responding to crises, leading to stability, resilience and success. The Bank has taken several measures to promote governance including:

- Establishment of Board Capital Expenditure Review Committee.
- Group Conduct Risk Management Policy is expected to establish a risk culture that not only addresses the risk of misconduct but also highlights clear accountability of actions through a preventive approach.
- Adoption of a system of self-assessment, where each Director undertakes an annual self-assessment of their own effectiveness as an individual and the effectiveness of the Board as a whole.
- Continuous monitoring of capital adequacy and other prudential measures to ensure compliance with regulatory requirements and the Bank's defined risk appetite.
- Commitment to compliance with Laws and Regulations not only in letter but also in spirit, at all levels across the Bank upholding the highest standards of legal and regulatory adherence.
- Nomination of candidates for appointment as Directors takes place under a formal and transparent procedure formulated by the Board Nominations and Governance Committee.



INTEGRATED REPORT

As permitted by the International <IR> Framework, this Annual Report constitutes a distinct and prominent section on Integrated Report, followed by Financial Statements and other supplementary information. Integrated Report adheres to the guiding principles and content elements outlined in the Framework. As affirmed in the Annual Report of the Board of Directors on page 4, due diligence has been exercised in preparing and presenting this Integrated Report to uphold its integrity.

Organisational overview [12-27](#)

Performance review [28-37](#)

Operating environment [38-53](#)

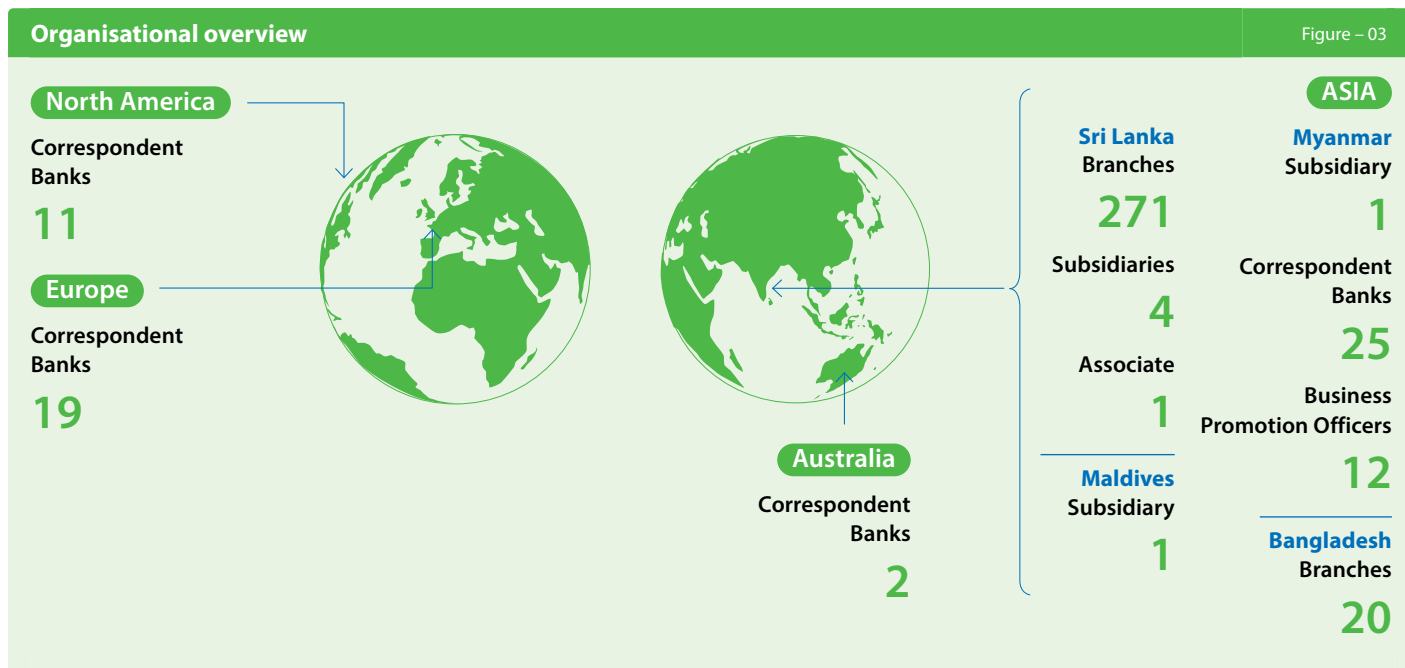
Business model for sustainable value creation [54-61](#)

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Organisational overview

About the Bank



Higher-tier domestic systemically important bank

Commercial Bank of Ceylon PLC (the Bank) is the only private sector Bank in Sri Lanka that has been designated by the Central Bank of Sri Lanka as a higher-tier Domestic Systemically Important Bank (D-SIB). Total assets of the Commercial Bank Group (which comprise of the Bank and its seven subsidiaries and the associate) stood at Rs. 2.656 Tn. as at December 31, 2023 (Rs. 2.500 Tn. as at December 31, 2022).

Largest private sector bank in Sri Lanka

Commercial Bank is the largest private sector bank in Sri Lanka in terms of business volumes and assets as shown below. It is also the third largest bank in the country.

Over a century of legacy

A century-long legacy defines the Bank, tracing its roots to 1920 on Chatham Street, Colombo. From humble beginnings as the Eastern Bank, it has soared to the summit of private sector banking in Sri Lanka, celebrating over 50 years under its current name in 2023. This journey has been a relentless pursuit of innovation, steering strategic shifts and revolutionising the banking landscape. With a total staff strength of 5,201 as at end 2023, the Bank serves over 4 million customers through a wide network of local and international branches, subsidiaries, agency arrangements, Business Promotion Officers and correspondent banking relationships and an array of digital channels.

Growing international footprint

Once a local player, the Commercial Bank has transcended borders, carving an international footprint marked by stability and innovation. Its global journey commenced in 2003 by acquiring Crédit Agricole Indosuez's Bangladesh operations, pioneering Sri Lanka's private sector banks in foreign branch establishments. Today, it boasts of subsidiaries in the Maldives and Myanmar, heralding a strategic expansion that foresees a broader reach across South Asia's regional landscape and beyond in the near future. Notably, Commercial Bank stands as the sole private sector bank in Sri Lanka to have a network of branches and subsidiaries outside Sri Lanka, to date.

Indicator	Currency	December 31, 2023	Market share %	December 31, 2022	Market share %
Loans & advances	Rs. Bn.	1,266	11.76	1,220	10.78
	USD Mn.	3,903		3,323	
Deposits	Rs. Bn.	2,085	12.98	1,914	12.51
	USD Mn.	6,430		5,216	
Total assets	Rs. Bn.	2,580	13.01	2,426	12.49
	USD Mn.	7,958		6,610	
LKR/USD exchange rate	LKR	324.25		367.00	

Risk profile

In January 2023, Fitch Ratings downgraded the rating assigned to the Bank from AA-(lka) with a Negative Outlook to A(lka) amidst the sovereign downgrade and recalibration of the agency's Sri Lanka's national rating scale, along with nine other banks. Fitch Ratings upgraded the Outlook to Stable in October 2023. Change of rating outlook from Negative to Stable was largely due to ease in downside risks for the banking sector with upgrades to Sri Lanka's Long-Term-Local-Currency Issuer Default Rating to CCC- from RD (Restricted Default). Further, the successful conclusion of the local currency sovereign debt restructuring and the gradual restoration of key macro-economic variables have alleviated some pressure on the Bank's capital position from weakening loan quality as well as rupee depreciation. In the meantime, the Bank's Bangladesh Operation's credit rating was reaffirmed at AAA by Credit Rating Information Services Ltd in June 2023 for the 13th consecutive year. The ratings reflect the Bank's intrinsic financial strength, the established domestic franchise as Sri Lanka's third-largest bank and the entrenched domestic deposit franchise that underpins the Bank's funding and liquidity profile.

Diversification

The Bank's business is well-diversified across four main business segments - Personal Banking, Corporate Banking, Treasury and International Operations. The International Operations of the Bank, which accounted for 16.94% of consolidated assets as at December 31, 2023 (2022 - 16.92%) and 78.57% of consolidated profit before taxes for the year ended December 31, 2023 (2022 - 71.10%), covers operations in Bangladesh, the Maldives and Myanmar. Besides geographical diversification, the Bank has successfully achieved a high level of diversification in its operations across several parameters such as customer profile, currency, products and services portfolio, funding profile, maturity profile, economic sectors and the sources of revenue given on pages 70 and 71.

Vibrant financial intermediation

Commercial Bank became the first private sector bank in Sri Lanka to have three key balance sheet indicators to surpass Rs. 1 Tn., having crossed Rs. 1 Tn. mark in assets, deposits and loan book in 2016, 2019 and 2021, respectively. As a leader in financial intermediation, 80.81% of the total assets of

the Bank are funded by customer deposits (2022 - 78.92%), while the Bank's loans to deposits ratio stood at 60.70% as at end of 2023. The Bank's asset quality is one of the best in the industry, while its Current Accounts and Savings Accounts (CASA) is the highest among the peer banks accounting for 39.23% of total deposits as of December 31, 2023 (38.36% of total deposits as of December 31, 2022).

Capital position of the Bank

The Bank's Tier 1 Capital Ratio and Total Capital Ratio stood at 11.442% and 15.151%, respectively, as at December 31, 2023 (11.389% and 14.657% respectively as of December 31, 2022) compared to the regulatory minimum ratios of 10% and 14% applicable for the Bank as a higher-tier D-SIB. The Bank's growth was prudent with gearing in terms of on-balance sheet assets as well as risk-weighted assets remaining at 12.01 times and 6.60 times, respectively, as of the end of 2023 (11.91 times and 6.82 times, respectively, as of the end of 2022).

Demonstrating the strength of the franchise, the Bank's shares reported the highest price to book value of 0.58 times (0.31 times as of end 2022) and the highest market capitalisation of Rs. 124.327 Bn. (USD 383.429 Mn.) among the banking sector on the CSE at year's end (Rs. 61.591 Bn. (USD 167.824 Mn.) as at end of 2022). The Bank was the ninth largest institution listed on the CSE overall as of end 2023 (12th as of end 2022).

Commitment to sustainability

The Bank has made significant strides in embedding sustainability principles into its core operations. It established an Executive Sustainability Committee and a Sustainability Working Committee to oversee and execute sustainability strategies. The Bank's sustainability goals align with the United Nations' Sustainable Development Goals (SDGs), focusing on areas such as quality education, gender equality, clean energy, decent work and responsible consumption. It has also formed collaborations with international organisations to develop sustainable financing products and engage in environmental initiatives such as tree-planting and conservation projects. The Bank has been recognised as the first carbon-neutral bank in Sri Lanka and continues to lead in climate financing. It has also set KPIs for Women Banking and CSR to drive sustainability efforts.

Commitment to regulatory compliance

The Bank places a strong emphasis on regulatory compliance to stay true to both the spirit and the letter of the law. It maintains a comprehensive Compliance Policy that outlines how compliance risks are identified, monitored and managed in a structured manner. The Bank's culture and Code of Ethics also play a crucial role in managing compliance risks. Efforts have been made to strengthen regulatory compliance requirements, including incorporating new regulatory developments into internal policies and procedures, adding new scenarios for transaction monitoring and regularly reviewing the Bank's Compliance program. The Bank also maintains oversight on regulatory compliance through a dedicated compliance function reporting directly to the Board of Directors.

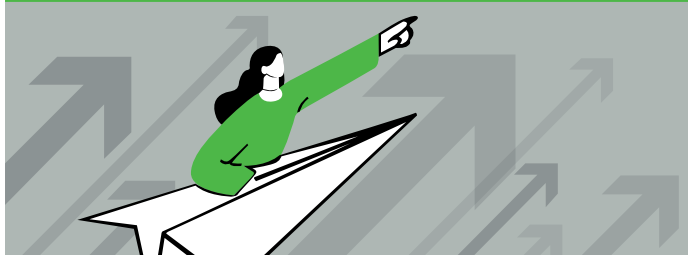
Ownership of the Bank

Of the 15,857 ordinary voting shareholders of the Bank at end of 2023, DFCC Bank PLC held 12.11% and entities related to the State, including Employees' Provident Fund, Employees' Trust Fund Board and Sri Lanka Insurance Corporation, collectively held 18.81% of Bank's shares. Mr Y S H I Silva (9.89%), Mr D P Peiris (7.71%), the International Finance Corporation (7.11%), Melstacorp PLC (4.14%), Mr K D D Perera (3.67%), CB NY S/A IFC Emerging Asia Fund LP (3.67%), CB NY S/A IFC Financial Institutions Growth Fund LP (3.67%) and Renuka Hotels PLC (1.29%), are the other major shareholders, holding a combined ownership stake of 41.15%. Notably, the Bank has a substantial foreign shareholding, with foreign shareholders owning a combined stake of 18.0% in ordinary voting shares as at end 2023 (17.26% as of end 2022).

Strategic highlights

The Strategic Highlights for 2023 given on pages 14 and 15 are structured according to the Bank's four Strategic Imperatives given on page 64. While the Financial Highlights outline the essential aspects of the Bank's financial performance, the Strategic Highlights illustrate how this performance was realised within the framework of the Bank's overarching vision for the future.

Prudent Growth



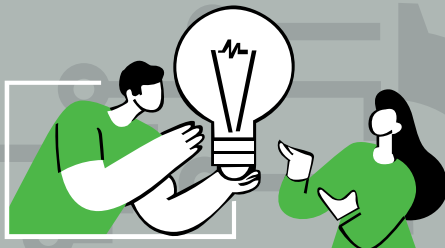
- **Total assets of the Group** grew to Rs. 2.656 Tn.
- **High level of diversification** in its income and portfolios across a multitude of parameters.
- The Bank's **deposit base grew by 8.92% Year-on-Year (YoY)** to Rs. 2.085 Tn., while the Bank's CASA ratio stood at 39.23% at end of 2023, the best in the Banking Sector.
- **Overseas operations** accounted for 17.1% of the assets and made a significant contribution to the pre-tax profits.
- Impairment (Stage 3) to Stage 3 Loans Ratio (**Stage 3 Impairment Coverage Ratio**) **improved to 43.22%** as at end 2023 from 39.60% in 2022.
- The Rs. 12 Bn. debenture issue further strengthened the Tier II capital base of the Bank, bridged maturity mismatches in the assets and liabilities and will help expand the lending portfolio, especially in the SME segment and export-oriented industries **to support the national economy**.
- The Bank won the IFC's CAFI award for recording the **highest number of climate finance transactions** in South Asia in the past two years, for meeting the IFC's stringent climate eligibility criteria.
- The Bank entered into **an exclusive long-term bancassurance partnership with AIA** during the year, that will enable the Bank to draw on AIA's best in class capabilities and AIA to leverage the Bank's meaningful connections with the local communities.
- Launching of **two new Green products** catering to individuals via the "Green Home Loan" and also the SME and Corporate customers through the "Green Building Loan".
- The Bank's Green Financing portfolio has so far contributed **to reduce 233,918.20 tCO₂e GHG emissions** by end 2023.
- **Green Finance Policy** was approved by the Board during the year.

Customer Centricity



- **Established a Customer Experience Unit**, which prioritises surpassing customer expectations and fostering loyalty through passionate service.
- The Ministry of Finance, Sri Lanka, recognised Commercial Bank as the **leading SME lender** for the years 2020, 2021 and 2022, underscoring the Bank's dedicated focus and commitment to the SME Sector.
- **Recognised as the "Best SME Bank"** by the UK-based Global Business Outlook for the fifth occasion in 2023.
- Development Credit Department of the Bank **conducted 50 awareness programs** for over 2,200 Micro-SMEs (MSMEs), Women SMEs (WSMEs) and prospective SMEs.
- **Launched a Digital Business Ecosystem in the name of "Commercial Bank LEAP GlobalLinker"**, an industry first initiative. This innovative digital business ecosystem is designed to enhance the global reach for SMEs and MSMEs, connecting them with markets spanning over 150 countries.
- The number of members of the **"ComBank BIZ Club" now exceeds 5,600, representing half of the Bank's SME customer base**.
- The Bank **offered concessions to individuals and businesses by restructuring and rescheduling loan facilities**, particularly those emerging from moratoriums, to support during challenging times.
- **Launched the "Combank Trade Club", an ecosystem designed to stimulate business growth for trade customers**. This platform provided exporters with access to innovative trade solutions, expert advice and networking opportunities.
- The Bank launched the **"Diribala Export Grooming Program" with the aim to enhance the export capabilities of businesses** and strengthen the export value chains across various sectors, recognising the vital role of the export segment in the economy.
- **In collaboration with LankaPay, launched a national credit and debit card with international acceptance**. This is the first launch of LankaPay Credit Cards in Sri Lanka and the first time five variants of LankaPay cards (three credit cards and two debit cards) launched by a Sri Lankan Bank. This National Card Scheme is an initiative implemented by LankaPay in partnership JCB International Co. Ltd.

Leading Through Innovation



- Invested over Rs. 2.6 Bn. in **IT infrastructure**.
- **Over 335,000** existing customers migrated to digital channels.
- “ComBank Digital” offers a comprehensive range of services, including the **integration of “Widgets” for added convenience, the ability to create “Savings Objectives” to assist users in achieving their financial goals, automated redemption of eFDs** (electronic fixed deposits), creation of secondary accounts such as **eSavings** and **eMoney** market accounts.
- **eFDs opened during the year represented 50% of total FDs opened** during the year 2023.
- **Launched ‘Flash FAM’ – Sri Lanka’s first Teen Digital Bank account** to encourage parents to foster financial independence and responsible money management skills in their children.
- “Flash” was selected as the **Best Digital Account by Global Retail Banking and Innovation Awards 2023** by The Digital Banker Magazine Singapore and also represented Sri Lanka at APICTA Awards 2023 held in Hong Kong.
- **Automation of CRIB reports analysis through robotic process automation (RPA)** for efficient decision-making.
- The Bank ranked **second in overall card acceptance in Sri Lanka**, according to both Mastercard and Visa. The Bank’s Point-of-Sale (POS) network has earned recognition from Visa for having the highest coverage in Sri Lanka.
- **Introduction of a state-of-the-art treasury software system**, developed in collaboration with the esteemed international software service provider, Quantum. This innovative solution, currently undergoing rigorous testing, signifies a critical leap forward in enhancing efficiency and responsiveness.
- The **Treasury FX Portal** has significantly reduced turnaround times for FX rate requisitions.
- Commenced **onboarding corporate customers to host to host (H2H)** connectivity enabling them to connect their ERP systems to the Bank.
- The Bank was the **top facilitator of CEFT transactions in Sri Lanka**, with over 19.2 million transactions worth Rs. 2.361 Tn. in outward CEFT and over 25.9 million transactions worth Rs. 2.307 Tn. in inward CEFT transactions.
- The Bank’s digital banking **retail customer base grew by 45% YoY** and its digital banking business customer base **grew to over 72,000 users**.

Operational Excellence



- Transformed strategically to ensure Bank’s readiness to **offer uninterrupted services** to its stakeholders through the implementation of the Business Continuity Management framework.
- Remained committed to maintaining the **loan book’s quality** and **managing interest rate risk, while enhancing compliance** in order to reduce reputational risk.
- Made considerable use of the **Early Warning System**, focusing more on machine learning models and real-time data.
- **Continued to engage in cordial relations with the CBEU**, with negotiations fueling dialogue between the two, delivering two-way rewards to the Bank as well as the members of the employee union.
- **Offered an array of training and development programs** to guarantee that staff members are stewards of continuous education and strategic self-improvement, which can serve as avenues for self-actualisation. Recorded a significant increase in eLearning hours through the Learning Management System.
- Enabled **on-boarding of new customers with Digital KYC** through “Flash”
- Commenced **implementation of a queue management system** in branches.
- **Placed a strong focus on maintaining employee safety and morale** in a volatile workplace to protect their livelihoods, health and well-being while highlighting the power of the workforce as a whole.

Financial highlights

Table – 01

	GROUP			BANK		
	2023	2022	Change (%)	2023	2022	Change (%)
Results for the year (Rs. Bn.)						
Gross income	341.566	280.387	21.82	335.770	275.444	21.90
Operating profit before taxes on financial services	38.885	28.430	36.77	36.842	26.491	39.07
Taxes on financial services	4.961	3.921	26.52	4.961	3.892	27.47
Profit before taxation (PBT)	33.927	24.505	38.45	31.880	22.598	41.07
Income tax expense/(reversal)	12.027	0.106	11,293.20	11.419	(0.371)	3,174.59
Profit after tax (PAT)	21.900	24.399	(10.25)	20.461	22.970	(10.92)
Gross dividends	8.542	5.579	53.11	8.542	5.579	53.11
Position at the year end (Rs. Bn.)						
Shareholders' funds	220.471	208.865	5.56	214.931	203.699	5.51
Financial liabilities at amortised cost – due to depositors	2,147.907	1,977.744	8.60	2,085.046	1,914.359	8.92
Financial assets at amortised cost – loans and advances to other customers (Gross)	1,295.751	1,246.170	3.98	1,265.559	1,219.667	3.76
Total assets	2,655.612	2,499.554	6.24	2,580.328	2,425.798	6.37
Information per Ordinary Share (Rs.)						
Earnings (Basic)	16.07	18.13	(11.36)	15.57	17.49	(10.98)
Earnings (Diluted)	16.06	18.13	(11.42)	15.56	17.49	(11.03)
Dividends – Cash	–	–	–	4.50	–	100.00
Dividends – Shares	–	–	–	2.00	4.50	(55.56)
Net assets value	167.77	168.47	(0.42)	163.55	164.30	(0.46)
Market value at the year end – Voting	N/A	N/A	–	95.50	50.20	90.24
Market value at the year end – Non-voting	N/A	N/A	–	80.40	41.30	94.67
Key financial ratios						
Return on average assets (ROA) – After tax (%)	0.85	1.09	(0.24)	0.82	1.05	(0.23)
Return on average shareholders' funds (ROE) – After tax (%)	10.20	12.97	(2.77)	9.78	12.46	(2.68)
Financial intermediation margin (%)	N/A	N/A	–	13.41	12.59	0.82
Total impairment provision as a % of gross loans and advances (%)	7.01	7.28	(0.27)	7.05	7.32	(0.27)
Cost of credit risk on loans and advances (%)	0.48	1.79	(1.31)	0.45	1.80	(1.35)
Impaired loans (Stage 3) ratio (%)	–	–	–	5.85	5.25	0.60
Impairment (Stage 3) to stage 3 loans ratio (%)	–	–	–	43.22	39.60	3.62
Price earnings – ordinary voting shares – (times)	N/A	N/A	–	6.13	2.87	3.26
Dividend yield – ordinary voting shares (%)	N/A	N/A	–	6.81	8.96	(2.15)
Dividend cover on ordinary shares (times)	N/A	N/A	–	2.40	3.89	(1.49)
Statutory ratios						
Liquid assets ratio (minimum requirement – 20%)						
Consolidated (Sri Lankan operations)	N/A	N/A	–	46.06	35.88	10.18
Capital adequacy ratios (under Basel III) (%)						
Common equity tier I capital ratio (minimum requirement – 8.500%)	11.513	11.341	0.172	11.442	11.389	0.053
Tier I capital ratio (minimum requirement – 10.000%)	11.513	11.341	0.172	11.442	11.389	0.053
Total capital Ratio (minimum requirement – 14.000%)	15.090	14.507	0.583	15.151	14.657	0.494
Liquidity coverage ratio (%)						
Rupee – (minimum requirement – 2023 – 100%, 2022 – 90%)	N/A	N/A	–	491.61	405.91	85.70
All currency – (minimum requirement – 2023 – 100%, 2022 – 90%)	N/A	N/A	–	516.27	293.91	222.36
Net stable funding ratio – (minimum requirement – 2023 – 100%, 2022 – 90%)	N/A	N/A	–	193.70	173.58	20.12
Gearing ratio (%)						
Leverage ratio (minimum requirement – 3%)	5.29	5.66	(0.37)	5.10	5.56	(0.46)

Financial Goals and Achievements – Bank

Financial Indicator	Goal	Achievement				
		2023	2022	2021	2020	2019
Return on average assets (ROA) – After Tax (%)	Over 2%	0.82	1.05	1.28	1.05	1.27
Return on average shareholders' funds (ROE) – After Tax (%)	Over 20%	9.78	12.46	14.66	11.28	13.54
Growth in gross income (%)	Over 20%	21.90	71.20	7.46	0.68	7.72
Growth in profit after tax for the year (%)	Over 20%	(10.92)	(2.70)	44.17	(3.83)	(2.96)
Growth in total assets (%)	Over 20%	6.37	24.45	12.27	25.15	6.43
Dividend per share (DPS) (Rs.)	Over Rs. 5.00	6.50	4.50	7.50	6.50	6.50
Capital Adequacy Ratios						
Common Equity Tier I Capital Ratio (Minimum Requirement – 8.500%)	2% buffer over the regulatory minimum requirement	11.442	11.389	11.923	13.217	12.298
Tier I Capital Ratio (Minimum Requirement – 10.000%)		11.442	11.389	11.923	13.217	12.298
Total Capital Ratio (Minimum Requirement – 14.000%)		15.151	14.657	15.650	16.819	16.146

Non-financial highlights

Table – 02

Sustainability Pillar	Capital/Indicator	Unit of Measure	2023	2022	Impacted Outcome
 Sustainable banking	Intellectual capital				
	Brand Equity (Brand Finance)	Rs. Bn.	43.600	46.700	Customer centricity promoting financial inclusion
	Brand ranking (Brand Finance)	Number	3	3	
	Compliance with industry standards-ISO 27001:2103,PCI-DSS, Baseline Security Standards	Compliance	Yes	Yes	Prudent growth
	Key digital banking initiatives/products introduced during the year	New product/feature	Flash FAM	Flash toolkit	Lead through innovation for sustainable products and services
			Commercial Bank LEAP GlobalLinker	Flash Wearable Banking	
			eSavings & eMoney Market accounts	Arunalu Children Savings account in foreign currency	
			"SimplePay" to facilitate digital payments, particularly for SME merchants	Millionaire Investment Plan in foreign currency	
			"Visa Direct" and "MasterCard Send" card-based fund transfer facilities	Loans against eFD	
			"Green home loan" and "Green building loan"	Personal loan request feature on ComBank Digital	
	e-FDs opened during the year as a % of total FDs opened	%	50	27	Customer centricity promoting financial inclusion
	YoY Growth in digital banking retail customer base	%	46	49	
	Number of existing customers migrated to online banking channels as at the end of the year	Number	335,322	265,183	
	Total number of financial transactions initiated through digital channels during the year	Number (Mn.)	58.265	49.087	
	ComBank digital customer base as at the end of the year	Number	Over 1,100,000	Over 800,000	
	Digital penetration	%	36	29	
	Social and relationship capital				
	Facilities subjected to SEMS screening during the year	Number	11,925	11,792	Prudent growth leveraging responsible finance
	Green financing portfolio	Rs. Bn.	17.76	16.48	
	Green Financing Facilities disbursed during the year	Number	649	261	
	Contribution of Green finance portfolio for reduction of CO ₂ emissions to the atmosphere	CO ₂ Tonnes.	233,918	229,752	Customer centricity promoting financial inclusion
	Adoption of IFC Performance Standards	Complied with	Yes	Yes	
	Bank's position as a lender to the SMEs	Ministry of Finance Data	Largest SME lender in 2022	Largest SME lender in 2021	
	MSME participants in financial literacy programmes conducted by the Bank	Total Number (accumulated since 2011)	14,907	12,699	
	Members in ComBank BIZ Club	Total Number	5,678	5,243	
	Participants in Capacity-building programmes for women entrepreneurs	Total Number	567	425	

Sustainability Pillar	Capital/Indicator	Unit of Measure	2023	2022	Impacted Outcome
 Responsible organisation	Human Capital				
	Employment opportunities created at the end of the year	Number	5,201	5,121	Green and safe workplace, workplace culture
	New recruits during the year	Number	589	369	
	Investment in training and development during the year	Rs. Mn.	88.620	65.375	
	Total training hours during the year	Hours	180,313	151,448	
	Natural capital				
	Paper recycled	Kgs	286,240	189,800	Green and safe workplace, workplace culture
	Reduction in paper usage	Number of A4 bundles	27,000	51,500	
	Branches connected with solar power generation	Number	82	71	
	Power generated through renewable sources	%	16.09	15.09	
 Community Sustainability	Natural capital				
	Reforestation	Area	12,000 trees planted under the "100,000 Trees for Tomorrow" initiative	Initiated the reforestation of a 100-hectare degraded habitat belonging to the Kandegama forest in Polonnaruwa District	Environmental engagement
	Mangrove restoration		Scientific research publication/maintenance and eco-tourism promotion	12,000 trees were planted to cover 1.250 km in Kathduwa and Madolduwa islands	
	Sea turtles released to date	Number	Over 72,000	Over 50,000	
	Social & relationship capital				
	IT labs established in rural schools at the end of the year	Total Number	334	280	Social engagement
	Number of students benefitted from IT labs	Total Number	approximately 300,000	approximately 250,000	
	STEM classrooms in schools at the end of the year	Total Number	170	140	
	Students benefitted from STEM classrooms at the end of the year	Total Number	approximately 160,000	approximately 130,000	
	Math labs established in rural schools at the end of the year	Total Number	122	85	
	Supported the Vocational Training Authority to enroll students from Government schools and providing jobs at the end of the year	Number of jobs provided	Over 340	Over 280	
	Donation of critical medical equipment and infrastructure facilities to Government hospitals	Value and Number of hospitals	Rs. 16.0 Mn. and 8 hospitals	Rs. 17.5 Mn. and 8 hospitals	
	Initiatives to support social enterprise (initiated in 2023)	N/A	Collaboration with IFC and Sarvodaya to support establishing a Childcare Centre in Batticaloa	N/A	Social enterprise
			Collaboration with UNDP to donate a food dehydrating machine to Hettipola Village		

A snapshot of the Bank's profile

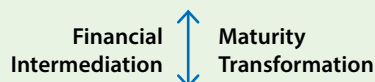
Rs. 2.580 Tn.
(2022 – Rs. 2.426 Tn.)

Total assets

Rs. 2.085 Tn.

(2022 – Rs. 1.914 Tn.)

Customer deposits



Rs. 1.266 Tn.

(2022 – Rs. 1.220 Tn.)

Gross loans and advances to other customers

Over 4 million
Customers

5,201

(2022 – 5,121)

Employees

A(Ika)

Outlook Stable

Fitch Ratings Lanka Ltd.

2022 – A(Ika)

Rating Watch Negative



1st in Market Capitalisation

Ranked 1st in the Bank sector on the CSE



Best Bank in Sri Lanka

For the 21st time

Global Finance Magazine



Strongest Bank in Sri Lanka

Ranked 265 places above the second strongest Sri Lankan Bank

The Asian Banker magazine



Profitability

Profit after taxation ————— -10.9%

2023 – Rs. 20.461 Bn.

2022 – Rs. 22.970 Bn.

Earnings per share (Basic) ————— -11.0%

2023 – Rs. 15.57

2022 – Rs. 17.49

Return on assets (ROA) ————— -23 bps

2023 – 0.82%

2022 – 1.05%

Return on equity (ROE) ————— -268 bps

2023 – 9.78%

2022 – 12.46%

Interest margin ————— -42 bps

2023 – 3.32%

2022 – 3.74%

Credit Quality

Cost of credit risk of loans and advances ————— -135 bps

2023 – 0.45%

2022 – 1.80%

Impaired loans (Stage 3) ratio ————— 60 bps

2023 – 5.85%

2022 – 5.25%

Impairment (Stage 3) to Stage 3 loans ratio ————— 362 bps

2023 – 43.22%

2022 – 39.60%

Provision cover ————— -27 bps

2023 – 7.05%

2022 – 7.32%

Open credit exposure ratio ————— 428 bps

2023 – 38.69%

2022 – 34.41%

Bank's Market Share

Assets ————— 52 bps

2023 – 13.01%

2022 – 12.49%

Loans and advances ————— 98 bps

2023 – 11.76%

2022 – 10.78%

Deposits ————— 47 bps

2023 – 12.98%

2022 – 12.51%

Stability

Tier 1 ratio ————— 5 bps

(Minimum requirement – 10%)

2023 – 11.442%

2022 – 11.389%

Total capital ratio ————— 49 bps

(Minimum requirement – 14%)

2023 – 15.151%

2022 – 14.657%

Net stable funding ratio ————— 2,012 bps

(Current minimum requirement – 100%)

2023 – 193.70%

2022 – 173.58%

Leverage ratio ————— -46 bps

(Minimum requirement 3%)

2023 – 5.10%

2022 – 5.56%

Liquidity

Statutory liquid assets ratio ————— 1,018 bps

(Consolidated – Sri Lankan operations)

(Minimum requirement – 20%)

2023 – 46.06%

2022 – 35.88

Liquidity coverage ratio ————— 22,236 bps

(All currencies)

(Current minimum requirement – 100%)

2023 – 516.27%

2022 – 293.91%

Liquidity coverage ratio ————— 8,570 bps

(Rupee)

(Current minimum requirement – 100%)

2023 – 491.61%

2022 – 405.91%

Share Valuation

Net assets value per ordinary share (NAV) ————— -0.5%

2023 – Rs. 163.55

2022 – Rs. 164.30

Market capitalisation ————— 100%

2023 – Rs. 124 Bn.

2022 – Rs. 62 Bn.

Price to book value ————— 0.27 times

2023 – 0.58 times

2022 – 0.31 times

Our journey over 100 years

1920 - 1979

1920

- Eastern Bank Ltd. (EBL) opens a Branch in Chatham Street

1957

- EBL was acquired by Chartered Bank

1969

- Commercial Bank of Ceylon Ltd. (CBC), incorporated with EBL holding a 40% stake

1971

- Business of EBL was completely integrated with Chartered Bank

1972

- First two branches opened in Galewela and Matale

1973

- CBC acquired Galle, Jaffna and Kandy branches of Mercantile Bank Ltd.

1979

- Offshore Banking Centre formed

1980

- Commercial Development Company (CDC) formed to construct Head Office Building for CBC with 40% equity participation

1984

- Head Office moved to new premises at No. 21, Sir Razik Fareed Mawatha, (formerly Bristol Street), Colombo 01

1980 - 1998

1987

- EBL changed its name to Standard Chartered (UK) Holdings Ltd.

1990

- Introduced ATM facilities to customers

1993

- Introduced core banking software-International Comprehensive Banking System (ICBS)

1996

- Increased shareholding in CDC to 94.5% through a share swap

1997

- Standard Chartered Bank sold its 40% stake in the Bank

1998

- First 365 Day Branch opened in Colombo 07
- All branches linked to ICBS (except Jaffna)

2000

- Launched Internet Banking

2001

- Opened the 100th branch at Kaduruwela

2003

- Acquired operations of Credit Agricole Indosuez in Bangladesh

2005

- Raised USD 65 Mn. syndicated loan, becoming the 1st non-sovereign corporate in Sri Lanka to source external funding

2006

- Issued USD 10 Mn. bond, becoming the first indigenous bank to do so

2000 - 2012

2008

- First Sri Lankan bank to be ranked among the Top 1000 Banks in the World

2009

- First Sri Lankan Bank to be certified CMMi

2011

- Commenced 'Sharia' compliant Islamic Banking
- Opened 200th branch in Kataragama
- Opened an exclusive 'Elite' Branch at Colombo 07 for high net worth customers
- Reached milestone 500th ATM located at the Maradana railway station

2013 - 2019

2012

- Raised USD 65 Mn., from the International Finance Corporation (IFC)
- Launched an exclusive Savings Account for Women named 'Anagi'

2013

- Opened '24-Hour Automated Banking Centre' at Ward Place
- Raised a 10-year subordinated debt of USD 75 Mn. from IFC

2014

- Bank acquired 100% stake of Indra Finance Ltd.
- Became the first Sri Lankan Bank to be granted a license by the Central Bank of Myanmar to operate a Representative Office

2015

- Indra Finance, a fully-owned subsidiary of CBC, renamed Serendib Finance Ltd.

2016

- Commenced Commercial operations of Commex Sri Lanka S.R.L. Italy, our fully owned subsidiary
- Opened Commercial Bank of Maldives Private Limited, 2nd foreign subsidiary with a 55% stake
- The Bank became a Trillion Rupee Asset company

2017

- Commercial Bank of Maldives opened its second branch in Hulhumalé
- CBC Myanmar Microfinance Company Limited., was established as the second fully-owned subsidiary of CBC outside Sri Lanka in Nay Pyi Taw, Myanmar

2018

- Launched the country's first fully-automated cheque deposit machine at City Office Branch in York Street Colombo
- Launched UnionPay cards by a bank in Sri Lanka for the first time, making Sri Lanka the 51st country in the world to issue UnionPay cards
- Introduced Flash Digital Bank Account

2019

- One of the leading mobile payment solutions in China, "WeChat Pay" acceptance launched in Sri Lanka for the first time by CBC with a partnership between Tenpay Payment Technology Ltd.
- Became PCI-DSS (Payment Card Industry Data Security Standard) certified
- "Flash" becomes Sri Lanka's first multilingual Digital Banking App
- Launched ComBank Q+ Sri Lanka's first QR based payment app under LANKAQR
- Launched "Yasasa" savings account exclusively for pensioners
- Enabled Dynamic Currency Conversion at ATMs for foreign Visa Cards
- Serendib Finance Ltd., a fully-owned subsidiary of CBC, was renamed CBC Finance Ltd.
- Deposits surpassed Rs.1 Tn. mark

2020

- Celebrated 100 years of banking in Sri Lanka with a series of events including a staff gathering of unprecedented scale
- Private placement of shares with the IFC for USD 50 Mn.
- Launched "ComBank Digital" powered by Fiserv, the US-based global provider of financial services technology
- Commenced a project to donate smart STEM classes to 100 schools to mark the Bank's centenary
- The Bank was declared the "Strongest Bank Brand" in Sri Lanka by Brand Finance
- Became Sri Lanka's first carbon-neutral bank

2021

- UK's CDC Group commits USD 50 Mn. to bolster SME lending and climate projects
- First private sector bank to achieve the feat of Loan book surpassing Rs. 1Tn., joining Assets and Deposits

2020 - 2023

- Named once again among global giants in banking, becoming the only Sri Lankan bank to be ranked in the "Top 1000 World Banks", for the 11th consecutive year

2022

- Introduced breakthrough "Tap to Phone" payments acceptance
- Under the environment-linked commitment, the Bank undertook to reforest a 100-hectare swath of degraded habitat belonging to the Kandegama forest in the Dimbulagala range of the Polonnaruwa District
- Became the only Bank in Sri Lanka to win National Quality Award from Sri Lanka Standards Institution (SLSI)
- Won 50 international awards including the Best Bank in Sri Lanka - Bank of the Year awards from the Banker - UK

2023

- The Bank enabled "Visa Direct" and "Mastercard Send", the card-based fund transfer facilities for the first time in Sri Lanka
- A long term Bancassurance partnership was entered into with AIA Sri Lanka, enabling the Bank to leverage AIA's exceptional capabilities and grow our revenue sources
- Launched a national credit and debit card with international acceptance in collaboration with LankaPay. This is the first launch of LankaPay Credit Cards in Sri Lanka along with five variants of LankaPay cards.
- The Bank launched two platforms to link local businesses to global markets - "Commercial Bank LEAP", in collaboration with the International Finance Corporation (IFC) and the independently developed "Trade Club"
- Opened a branch in Anamaduwa, a rapidly developing area steeped in folklore
- Opened a branch in the historic town of Kantale, where the iconic reservoir built by King Aggabodhi II (604-614 AD) and rehabilitated by King Parakramabahu the Great
- The omni-channel digital banking platform "ComBank Digital" reached the milestone of one million registered users
- The Bank ranked as the Strongest Bank in Sri Lanka by The Asian Banker
- Embarked on an ambitious nationwide tree planting campaign titled "Trees for Tomorrow", to plant 100,000 trees across Sri Lanka in three years, to help achieve the country's self-defined national climate pledges under the UN Paris Agreement
- Ranked No. 1 on the Business Today ranking of Sri Lanka's Top 40 business entities in 2022-23. This is the 15th consecutive year it has been ranked by Business Today as not only the best-performing bank in the country, but one of the five best-performing companies in Sri Lanka overall
- The AP (Authorised Person) licence was presented to the Bank by the Colombo Port City Economic Commission, paving the way for the Bank to operate within and from the precincts of the Colombo Port City, offering banking services to investors as well as customers
- The Bank was adjudged "Best SME Bank" and "Most Innovative Digital Bank" in Sri Lanka by the Global Business Outlook
- Won over 100 awards, both local and international, including the Best Bank in Sri Lanka - Global Finance Magazine - UK

Key events of the year

January

ComBank introduces “Visa Direct” and “Mastercard Send” card-to-card fund transfers - a first in Sri Lanka



The Commercial Bank of Ceylon announced the enabling of “Visa Direct” and “Mastercard Send” card-based fund transfer facilities for the first time in Sri Lanka. With this latest digital initiative of Commercial Bank, Visa and Mastercard Debit and Prepaid cardholders can transfer funds to any locally-issued Visa and Mastercard Debit, Credit or Prepaid card through Commercial Bank’s ATMs, CRMs and Q+ Payment App.

ComBank partners with National Science Foundation to enhance STEM education



Recognising the rapid advancements in technology globally and the increasing demand for skilled professionals in the STEM fields, the Bank partnered with the National Science Foundation (NSF) to further enhance the Bank’s science, technology, engineering and mathematics (STEM) education projects and the delivery of STEM education to selected underperforming schools in Sri Lanka.

February

ComBank rewards young artists at 3rd “Arunalu Siththam” Awards



The Bank honoured 137 young artists with cash prizes totaling Rs. 3 Mn. at the “Arunalu Siththam Art Competition” awards ceremony which was followed by an Art Workshop.

ComBank once again awarded as the South Asian Bank with the largest number of climate finance transactions



The International Finance Corporation (IFC) reaffirmed Commercial Bank of Ceylon’s status as the South Asian financial institution to record the highest number of climate finance transactions in fiscal year 2022.

March

ComBank adjudged “Best SME Bank” in Sri Lanka by Global Finance



The Bank won the award for the “Best SME Bank” in Sri Lanka from the New York-headquartered Global Finance magazine.

ComBank arrives in Anamaduwa



The Bank opened another branch in Anamaduwa.

ACCA reaffirms ComBank as Best among Sri Lankan banks for Sustainable Reporting



The Bank was declared the best among all Sri Lankan banks in sustainability reporting at the Sri Lanka Sustainability Reporting Awards for 2022. Bank was recognised for being one of the most transparent, accountable and responsible entities in the country.

ComBank becomes Official Inbound Sponsor of Sri Lanka Men’s National Cricket Team for ODIs & T20s in New Zealand



Bank stepped up to the crease to support Sri Lanka Cricket as the Official Inbound Sponsor for the ODI and T20 matches of Sri Lanka’s tour of New Zealand.

April**ComBank crowned 'People's Private Bank of the Year' at SLIM Kantar People's Awards**

By popular vote, the bank was crowned the "People's Private Bank of the Year" at the SLIM Kantar People's Awards 2023, positioning it as the Bank that is closest to the hearts of the Sri Lankan people.

ComBank adjudged the "Best Bank in Sri Lanka" by Global Finance for 21st time

The Bank was recognised as Sri Lanka's Best Bank once again by the US-based Global Finance magazine, at its 30th annual awards ceremony for the World's Best Banks 2023.

ComBank is highest ranked bank in BT Top 40 for 14th consecutive year

The Bank led Sri Lanka's banking sector when it received the Business Today Top 40 award from H E the President Hon. Ranil Wickremesinghe.

ComBank launches two platforms to link local businesses to global markets

The bank, collaborating with IFC, developed a comprehensive business eco system- "Commercial Bank LEAP". The bank also introduced "Trade Club" to provide full spectrum of services to importers and exporters.

May**ComBank awards IT labs to schools that won Mother Sri Lanka "Project RUN" competition**

The Bank awarded fully-equipped IT labs to the three schools that won the "Project RUN" competition conducted by Mother Sri Lanka, a non-profit organisation working to advance educational, socio-economic and cultural development via programmes in schools country-wide.

June**ComBank arrives in Kantale**

Kantale in Sri Lanka's Eastern Province became the latest town to receive state-of-the-art banking facilities from the Bank, the country's leading private sector bank.

The Bank opened its latest branch in this historic town.

ComBank launches Sri Lanka's first Teen Digital Bank account "Flash FAM"

The Bank launched "Flash FAM" – a first in Sri Lanka – as an extension of the Bank's award-winning "Flash" Digital Bank Account app, to encourage parents to foster financial independence and responsible money management skills in their children.

This stimulating new feature enables children aged 10 to 17 to use "Flash FAM", the country's first teen digital bank account, for their daily transactions and savings, once a parent who is also a Flash Account user, has registered and created a separate login via his or her main Flash account.

July**FinanceAsia crowns ComBank as Best Bank in Sri Lanka for 12th year**

The Bank was adjudged as the Best Bank among Sri Lanka's domestic banks by FinanceAsia, considered the world's foremost information source on the Asian financial markets.

ComBank honoured with six awards by Indian Chamber of Commerce

The Indian Chamber of Commerce (ICC) honoured the bank with six prestigious awards, two in respect of Sri Lanka and four for the Bank's Bangladesh operation, joining the many international bodies that have recognised the country's leading private sector bank with accolades this year.

ComBank reaffirmed as biggest lender to Sri Lanka's SME sector in 2022

One in every three loans provided to small and medium enterprises (SMEs) in Sri Lanka by lending institutions in 2022 was by the bank, official government figures revealed.

This emphatic reaffirmation of Commercial Bank's status as the largest lender by far to the country's SME sector came in the 2022 Annual Report of the Ministry of Finance, which showed that the bank accounted for 34.2% of the total loans provided to the SME sector by commercial and specialised banks in 2022.

August**ComBank strengthens its green financing mandate with GGGI partnership**

The Bank signed a milestone agreement with the Seoul-headquartered Global Green Growth Institute (GGGI), a leading international inter-governmental technical advisor on sustainable finance initiatives.

ComBank ranked Most Respected Bank in Sri Lanka for 19th successive year

The Bank was ranked as the Most Respected Bank in Sri Lanka and the fourth Most Respected corporate entity in the country overall in the 2023 "Most Respected Entities in Sri Lanka" rankings published by the LMD magazine.

Combank.lk crowned best website in Sri Lanka

Corporate website of the Bank won twin Golds as the Overall Winner and the Best Banking & Finance website in Sri Lanka at the 2023 BestWeb.lk competition conducted by the LK Domain Registry.

ComBank honoured as one of Sri Lanka's 10 "Most Admired Companies" for the fifth year



The Bank was ranked as one of the 10 "Most Admired Companies in Sri Lanka" by the International Chamber of Commerce Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA) and the American Institute of Certified Public Accountants (AICPA).

September

ComBank launches Sri Lanka's first Green Home Loans scheme



The Bank announced another initiative under its Green lending portfolio to support customers who share the Bank's commitment towards the environment.

Green Home Loans of up to Rs. 50 Mn. are now available for the purchase of homes that have been granted Green Building Certificates by the Green Building Council of Sri Lanka (GBCSL), or for the construction of houses that will be so certified. Loans of up to Rs. 5 Mn. are available for the purchase of solar power systems, solar net metering systems or for any other green initiative such as waste or rain water management or composting, that leads to Green certification, the Bank said.

ADB names ComBank its 'Leading Partner Bank' in Sri Lanka for 3rd year



The Bank was once again declared as the Asian Development Bank's (ADB's) "Leading Partner Bank" in Sri Lanka for trade and finance transactions, in a significant reaffirmation of the Bank's contributions in that sphere to the national economy.

ComBank wins 05 awards at MerComm ARC Awards



The 2022 Annual Report of the Bank won five awards at the 2023 MerComm ARC Awards, the world's largest annual report competition, widely considered the "Academy Awards of Annual Reports."

The Bank won Silver in the "Integrated AR & CSR: Non-Traditional Format" category as well as Silver for "Cover Design" in addition to two Bronze awards for "Interior Design" and "Illustrations" and an Honours Award for "Written Text".

October

ComBank launches science education programme for 50 schools with NSF



A new project to promote science education in 50 schools was launched by the bank in collaboration with the National Science Foundation (NSF) and the Science Branch of the Ministry of Education.

ComBank's "Vibe" brings youth dreams to life via AI and wins WIM New Generation award



A ground-breaking digital marketing campaign powered by generative artificial intelligence (AI) to promote the Vibe Youth Account of the Bank won the "Youth Campaign of the Year" award at the 2023 New Generation Awards of Women in Management (WIM) and the National Youth Services Council.

ComBank hosts ICC Chairperson Maria Fernanda Garza at corporate event



Bank hosted Ms Maria Fernanda Garza, the first woman to be appointed Chairperson of the International Chamber of Commerce (ICC), at a corporate event attended by the Bank's management and distinguished invitees.

November

ComBank donates milestone 150th STEM classroom



The Bank reached a milestone in its national initiative to propagate Science, Technology, Engineering and Mathematics (STEM) education in Sri Lanka with the opening of the 150th STEM classroom donated by the Bank to Nagasena Vidyalaya, Kelaniya.

ComBank ranked Strongest Bank in Sri Lanka by The Asian Banker



The Bank was ranked the Strongest Bank in Sri Lanka in 2023 by TAB Insights, the global research and consulting subsidiary of TAB Global, the parent company of The Asian Banker magazine.

Notably, the Bank was ranked 265 places above the second strongest Sri Lankan bank in the TAB Global 1000 ranking.

ComBank embarks on another sustainability initiative planting 100,000 "Trees for Tomorrow"



The Bank embarked on an ambitious nationwide tree planting campaign to plant 100,000 trees across Sri Lanka in three years, to help achieve country's self-defined national climate pledges under the UN Paris Agreement.

December**ComBank honoured by Global Business Outlook with prestigious double**

The Bank was adjudged “Best SME Bank” and “Most Innovative Digital Bank” in Sri Lanka in 2023, rounding off a year of prestigious international and local awards.

ComBank receives license to operate in Colombo Port City

The Bank was issued an Authorised Person (AP) license to offer offshore banking services within the Colombo Port City, the 269-hectare special economic zone (SEZ), tasked with establishing a premier multi-currency international business and financial services hub that will transform the country's economic landscape.

ComBank signs Bancassurance Partnership Agreement with AIA

Signing of the Agreement with AIA for a long term Bancassurance partnership.

ComBank ranked No 1 in “Business Today Top 40”

The Bank was ranked No 1 on the Business Today ranking of Sri Lanka's Top 40 business entities in 2022-23.

Business Today assigned Commercial Bank an aggregate score of 34.55 at the top of a list that includes the country's biggest diversified conglomerates, banking and financial services giants and manufacturing colossi.

ComBank donates ultrasound scanner to National Hospital

Bank donated an ultrasound scanner to the Professorial Medical Unit of the National Hospital Colombo which is one of the busiest medical units in the Hospital. The scanner will enhance the ultrasonography facilities of the unit, as large numbers of patients seek treatment daily.

ComBank wins triple Gold at CA Sri Lanka TAGS Awards 2023

The Bank won three Golds and a Bronze at CA Sri Lanka's “TAGS” Awards 2023.

Adjudged the best across all sectors for “Corporate Governance Disclosure” and for “Digitally Transformative Reporting” and won the Gold for the best annual report in the Banking sector, in addition to taking the Bronze for “Overall Excellence in Corporate Reporting”.

Performance review



Message from the Chairman



At the heart of our success lies a simple yet powerful truth – Commercial Bank is more than just a financial institution; it is a catalyst for change, a champion of progress and a steadfast partner in the journey towards a brighter future.

As we take a moment to glance back at the journey through 2023, a year filled with speculation and uncertainty, it is with immense pride and satisfaction that I report our successful navigation through the multitude of challenges with grace and determination. The challenges we faced tested the mettle of our organisation, but they also served as opportunities for growth and innovation. Guided by our core principles of integrity, innovation and excellence, we emerged stronger and more resilient than ever before. It is a year we exhibited sustained growth and firm commitment to delivering value to our stakeholders, a testament to unwavering dedication and a force for positive change in our ever-evolving landscape.

At the heart of our success lies a simple yet powerful truth – Commercial Bank is more than just a financial institution; it is a catalyst for change, a champion of progress and a steadfast partner in the journey towards a brighter future. Rooted in values as solid as the bedrock beneath our feet, we are driven by a singular mission – to make a difference, not just in the lives of our customers, but in the communities we serve and the world at large.

As we look back on the challenges overcome and the victories won, we cannot help but feel a sense of immense pride and satisfaction. Through sheer resilience, resolute dedication and the indomitable spirit of our team, Commercial Bank has not merely weathered the storms of 2023, but emerged as a towering monument of strength and fortitude.

In 2023, Sri Lankan businesses encountered a mix of challenges amidst efforts to stabilise the economy. Despite achieving a degree of macroeconomic

stability through adherence to IMF programs, concerns over debt sustainability, revenue mobilisation and energy pricing persisted. The government prioritised social safety nets and financial stability, while grappling with the task of managing inflation amidst tax increases. Although positive indicators such as rebounding of credit to private sector and external sector resilience were observed, businesses continued to navigate uncertainties, including access to credit and vulnerabilities in the external sector, highlighting the ongoing complexities in fostering sustainable growth. The Commercial Bank has always been an ardent intermediary in helping enterprises to overcome such challenges.

Steering along a growth trajectory

Throughout the year, our primary goal has been to steer the Bank along a growth trajectory. I am pleased to inform that we have successfully achieved this goal. Despite the diverse challenges posed by the ever-changing economic landscape, we have managed to create enviable shareholder value through prudent decision-making, strategic investments and a relentless pursuit of excellence in all aspects of our operations. Our comprehensive approach to growth has been multifaceted, encompassing innovative product development, expansion into new markets and strategic partnerships aimed at enhancing our competitiveness. By leveraging emerging opportunities and mitigating risks effectively, we have not only sustained our momentum but have also positioned ourselves for sustained growth in the years to come. This achievement reflects the dedication and hard work of our entire team, whose firm commitment to our vision has been instrumental in driving our success.

Commitment to customers

At the heart of our success lies our steadfast commitment to supporting all our customers, particularly during times of hardship. We have remained by their side, offering assistance and guidance to help them overcome obstacles and emerge stronger. Our dedication goes beyond financial aid; we see ourselves as partners in their journey towards growth and success. Throughout the year, we have implemented tailored support programs, such as restructuring loan repayments and providing financial counselling addressing their individual needs. Additionally, we have invested in initiatives to enhance financial literacy and empower our customers to make informed decisions about their financial futures. Our customer service teams have consistently gone the extra mile to ensure each interaction is marked by empathy, professionalism and genuine support. Through fostering strong relationships built on trust and mutual respect, we have not only strengthened our connection with our customers but also earned their loyalty and admiration. As we navigate uncertain times, our commitment to standing by our customers remains solid, supporting them every step of the way towards overcoming challenges and achieving their aspirations.

Sustainable practices and corporate responsibility

As a responsible corporate entity, Commercial Bank remains committed to fulfilling our societal obligations and supporting the communities where we operate. Through ethical business practices and transparent financial operations, we not only contribute significantly through taxes but also actively

engage in initiatives promoting fiscal resilience and community welfare. Our adherence to tax regulations underscores our commitment to governance principles and contributes to sustainable development of economies. By upholding tax obligations diligently, we positively impact the fiscal landscape, fostering economic stability and growth.

Moreover, our Corporate Social Responsibility (CSR) initiatives are integral to our identity as a socially responsible corporation. Through strategic partnerships and targeted investments, we address societal challenges such as education, healthcare, environmental conservation and poverty alleviation. By leveraging our resources, we make meaningful and lasting impacts on individuals and communities, enhancing our reputation as a socially responsible entity. Additionally, our sustainability commitment reflects our acknowledgment of environmental stewardship's importance and resource conservation. By integrating sustainable practices, we aim to minimise our environmental impact and contribute to future generations' well-being. By adopting energy-efficient technologies to promoting eco-friendly initiatives, we strive for a sustainable future.

Resilience and strategic agility in times of uncertainty

Throughout this turbulent period, our resilience, adaptability and strategic planning capabilities were put to the test. We leveraged our robust risk management framework, coupled with a proactive approach to scenario planning and contingency measures, to navigate through uncertain waters successfully. Moreover, our firm commitment to our core values and objectives served as a guiding light, enabling us to stay focused on our long-term goals and objectives amidst the chaos. As we reflect on the challenges overcome and the lessons learned from the past year, we are confident in our ability to tackle whatever challenges lie ahead. Armed with a stronger sense of purpose, renewed determination and a deep-seated commitment to excellence, Commercial Bank is well-poised to navigate through uncertain times and seize new opportunities for growth and innovation. Together, we have weathered the storm and emerged stronger, united in our pursuit of excellence and success.

Throughout the year, we have consistently reinforced our balance sheet strength and reaffirmed our position as the leading private sector bank. Our solid performance stands as a testament to our resilience and enduring dedication to serving our customers and stakeholders with distinction. As we celebrate our achievements, we look forward to building upon this foundation of success and strategic agility charting new heights of prosperity in the future.

Robust performance and strategic expansion

In terms of performance, I am delighted to report that Commercial Bank has once again delivered robust results across diverse sectors, both domestically and internationally. Despite the challenging economic environment, our commitment to excellence and strategic initiatives have yielded exceptional outcomes, reinforcing our position as a leader in the banking industry.

The Bank achieved two significant milestones during the year when total assets crossed Rs. 2.500 Tn. and deposits surpassed Rs. 2.000 Tn., the first private sector commercial bank to do so.

Across our domestic operations, we have continued to expand our market presence and enhance our product offerings, resulting in sustained growth and profitability. Our focus on customer-centricity and innovation has enabled us to meet the evolving needs of our clients effectively, driving increased engagement and satisfaction levels. Our prudent risk management practices and streamlined operational processes have contributed to improved efficiency and effectiveness, optimising our performance and maximising shareholder value.

Our overseas ventures have flourished, with our international operations contributing significantly to our overall success. Through targeted investments and strategic partnerships, we have strengthened our foothold in key markets, leveraging local expertise and market insights to capitalise on emerging opportunities. Our international expansion strategy has not only diversified our revenue streams but has also enhanced our resilience to regional market fluctuations, positioning us for sustained growth and profitability in the long term.

Elevating excellence for superior service

Our commitment to operational excellence has been consistently acknowledged through over 100 awards and accolades during the year, reaffirming our reputation as a provider of superior service and innovative solutions. These accolades underscore our unwavering dedication to delivering value to our customers, while also highlighting our success in implementing cost reduction strategies and sustainable practices. By prioritising efficiency, innovation and sustainability in all aspects of our operations, we are not only driving positive financial outcomes but are also contributing to the long-term sustainability of our business and the communities we serve.

Charting the path to financial excellence

Looking ahead, we remain committed to building on our achievements and further strengthening our position as a leading financial institution. Through continued investment in technology, talent development and customer-centric initiatives, we are confident in our ability to deliver sustained growth and value creation for our shareholders, customers and other stakeholders. Together, we will continue to innovate, adapt and excel, setting new standards of excellence in the banking industry.

Our strategic direction remains focused, driven by a commitment to digital transformation, technological innovation and data-driven decision-making. Recognising the importance of embracing emerging technologies, we aim to revolutionise our operations and offerings through digital transformation. By investing in cutting-edge solutions, we streamline processes, enhance efficiency and provide seamless, personalised experiences to customers across all touchpoints, empowering them to manage their finances with ease.

Our commitment extends beyond digitisation to the adoption of transformative technologies like artificial intelligence and blockchain. By leveraging these advancements, we seek to drive operational efficiencies and stay ahead in a competitive landscape. Anchored in data-driven decision-making, we harness analytics to inform strategic initiatives and anticipate customer needs proactively.

In parallel, we prioritise enhancing the customer journey, exceeding expectations and fostering lasting relationships built on trust. Through continuous refinement of products, services and processes, we drive engagement and foster long-lasting relationships. By benchmarking against industry standards and best practices, we maintain our position as innovators and strive for operational excellence. Looking ahead, we are excited about the possibilities as we execute our strategic roadmap, committed to innovation, customer-centricity and excellence. Staying true to our core values and embracing change with agility, we are confident in our ability to thrive and create sustainable value for all stakeholders.

Our commitment to prudent growth, proactive risk management and sound corporate governance practices serves as the foundation of our operational ethos, guiding us as we navigate the complex financial landscape. In an environment characterised by uncertainty and volatility, safeguarding stakeholders' interests and preserving institutional integrity are paramount. To achieve this, we have implemented robust risk management framework, addressing various risks such as credit, market, operational, IT and compliance risks. Through a proactive approach, we anticipate and mitigate potential threats, ensuring financial stability and resilience.

Our steadfast commitment to corporate governance, transparency and ethical conduct underscores our dedication to fostering trust and accountability within our organisation and among stakeholders. Adhering to rigorous governance principles ensures that our decision-making processes are ethical, informed and aligned with the interests of all stakeholders.

A journey of gratitude, resilience, and excellence

As we reflect on the past and look towards the future, I am imbued with a profound sense of gratitude and confidence for Commercial Bank's journey. Our dedicated team has been the cornerstone of our success, showcasing resilience and excellence in the face of challenges. Their passion and pursuit of innovation have propelled us to new heights and will be our driving force as we continue to serve our customers, shareholders and other stakeholders with unwavering commitment.

I am grateful for the wisdom and guidance of our esteemed Board of Directors. I extend my appreciation to Mr K Dharmasiri who retired in January 2023, for his invaluable contribution during his tenure. Special thanks are due to Mr Sanath Manatunge, Managing Director/Chief Executive Officer for his leadership and guidance in navigating the complex financial landscape and in fostering a culture of excellence within our organisation. Our gratitude extends to the Governor and officials of the Central Bank of Sri Lanka whose guidance and support has been crucial in maintaining a stable and conducive regulatory environment, enabling us to achieve our goals.

Our investors' confidence and our stakeholders' loyalty, including our customers and business partners, have been pivotal to our enduring success. Your belief in our vision has empowered us to reach where we are today.

Building tomorrow together

In closing, I invite each of our stakeholders to join us in our ongoing journey towards excellence and prosperity. Let us continue to work hand in hand, united by our shared values and aspirations, to build a future where opportunities abound, communities thrive and dreams are realised. Together, we can achieve greatness and leave a lasting legacy of positive impact. I urge you to stay engaged, support our endeavours and collaborate with us as we embark on this exciting path forward. With your continued partnership and unwavering commitment, there is no limit to what we can achieve together. Thank you for your trust, your dedication and your belief in the vision of Commercial Bank. Together, let us shape a brighter tomorrow for generations to come.



Prof A K W Jayawardane
Chairman

February 21, 2024
Colombo

Managing Director/Chief Executive Officer's review



Embracing a technology-centric approach with a human touch, the Bank remains steadfast in its commitment to digitising every facet of the customer journey, thereby guaranteeing flawless interactions, seamless experiences and operational prowess.

As we stand poised for 2024, amidst the symphony of progress and the cacophony of challenges, I take this opportunity to reflect on the dynamic journey we have embarked upon and the vision that propels us forward. Our narrative is one of resilience in the face of adversity, of innovation amidst uncertainty and of unwavering commitment in a world ever-changing. I take pride in our ability to not only weather the storm but to emerge stronger, outperforming market expectations and steadfastly securing and expanding our market share with our strategic roadmap guiding us all the way. This agility and foresight have been pivotal in sustaining our competitive edge amidst turbulent times.

Embracing a technology-centric approach with a human touch, the Bank remains steadfast in its commitment to digitising every facet of the customer journey, thereby guaranteeing flawless interactions, seamless experiences and operational prowess. Our ongoing investment efforts are directed towards enhancing our IT infrastructure and retaining premier IT talent, reflecting our unwavering commitment to staying at the forefront of technological innovation.

Navigating challenges with resilience

In 2023, despite the challenges stemming from Sri Lanka's economic revival and reform, Commercial Bank showcased unwavering resilience and adaptability. Through focused strategies and a commitment to stakeholder equity, we navigated these transformative times, embracing reforms and innovative approaches to ensure stability and sustainable value creation. This resilience, emblematic of our dedicated team, underscores our gratitude to customers and stakeholders for their enduring support.

As the leading private sector commercial bank, we prioritised customer, employee and community support during these trying times, strengthening our foundation through strategic investments in people, processes, technology and products. Noteworthy efforts in digital transformation enhanced the customer journey, optimised operations and modernised risk capabilities.

Aligned with our sustainability commitment, substantial strides were made towards climate goals, community initiatives and inclusivity, extending beyond financial support to encompass knowledge-sharing and empowerment programs for our customers.

Despite socio-economic hurdles, our teams demonstrated empathy and resilience, delivering tailored support to customers and advancing financial inclusion efforts. Our dedication to seamless service, fueled by talent development and succession planning initiatives, remained unwavering.

Looking forward, our focus on SME support with special focus on women entrepreneurs, renewable energy investments, trade finance and international expansion positions us for sustainable growth. Transitioning to NetZero by 2050 underscores our commitment to sustainability and responsible banking. With customer confidence as our cornerstone, our achievements were recognised with prestigious titles such as "Best Bank in Sri Lanka 2023" by Global Finance Magazine, UK among over 100 other domestic and foreign awards, reaffirming our market leadership and balance sheet strength.

Our 2023 performance

Despite the persistent challenges posed by macroeconomic factors, the Bank exhibited robust operational performance, showcasing resilience and the enduring strength of our long-term strategy. We witnessed substantial growth in key metrics, with gross income surging by 21.90%, primarily driven by a notable 34.03% increase in interest income. Despite the challenges posed by the Rupee appreciation on FCY loans & advances during the year, our loan book expanded by 3.76%, particularly buoyed by increased credit to the private sector in the latter half of the year. Deposits also saw a healthy growth of 8.92%, even after negating the impact of Rupee appreciation on FCY deposits. Consequently, total assets expanded by 6.37% as of December 31, 2023, compared to the end of 2022. After factoring in an impairment provision of Rs. 38.624 Bn. for the year (covering both loans and advances and investments in USD-denominated Government securities) and operating expenses amounting to Rs. 42.644 Bn., our operating profit before taxes on financial services surged to Rs. 36.842 Bn., marking a significant increase of 39.07% compared to 2022. Following a provision for income tax totaling Rs. 11.419 Bn., our profit after tax for the year stood at Rs. 20.461 Bn., compared to Rs. 22.970 Bn. in 2022. Notably, our Bangladesh operation made a significant contribution to the overall performance of the Bank which negated the temporary setback experienced in the challenging economic context in Sri Lanka during the first half of 2023.

For a detailed review of our financial performance, please [refer](#) to pages 120 to 143.

Portfolio quality

Amidst the pending sovereign debt restructuring and the domestic debt optimisation concluded during the year under review, we have adapted with foresight, proactively provisioning for potential reductions in the value of sovereign bonds. Agile and vigilant, we navigated the year to uphold the Bank's robust financial position. In the realm of customer loans, a notable decline in asset quality pervaded the banking industry amidst challenging operating conditions. Forecasts suggest that the industry's ratio of Impaired Loans (Stage 3) likely hit double digits by the close of 2023. Our provision for loan impairments took note of this trend as well as the improvements witnessed in the macroeconomic variables and the economic scenarios.

Our Early Warning Signal (EWS) System has been quite effective in its predictive capabilities in enabling us to foresee potential exposures showing signs of delinquency 9 – 12 months in advance. This proactive approach empowered Lending Officers with ample lead time to address warnings promptly and strategically, thereby preserving the Bank's portfolio quality. Consequently, we were able to close the year with a marginal increase in Impaired Loans (Stage 3) ratio to 5.85%, from 5.25% in 2022, marking one of the lowest rates in the banking industry. We improved the Impairment (Stage 3) to Stage 3 Loans Ratio to 43.22% from 39.60% a year ago.

Ensuring robust capitalisation for sustainable growth

Amidst macro-economic pressures, significant challenges surrounding impairment provisioning and diminishing profitability, maintaining a robust capital base is imperative for sustained growth and resilience. Throughout the year, we remained steadfast in upholding prudent capital management practices, ensuring that our capital adequacy ratios consistently exceeded regulatory thresholds. By continuing to strategically prioritise capital-light activities and executing targeted capital-raising endeavours, alongside prudent dividend policy, we fortified our capitalisation levels. To safeguard our operations, we adopted a proactive approach, emphasising capital management through frequent Assets and Liabilities Committee (ALCO) meetings. Successfully raising Rs. 12 Bn. in Tier II capital

in December, we improved the total capital adequacy ratio to 15.151%. Our commitment to rebalancing the balance sheet, fostering a capital-centric decision-making ethos and optimising divisional capital allocation is ongoing, supported by a Board-approved Capital Augmentation Plan. These initiatives further fortified our capital base, ensuring sustained resilience amid evolving market dynamics, with our capital adequacy ratios exceeding regulatory minimum requirements as of December 31, 2023.

Innovative digital solutions

With ongoing investments in digital innovation, we have revolutionised how customers engage with us, elevating their experience to new heights. Our award-winning Flash Digital Account, Sri Lanka's first "wearable banking" product, has opened doors to endless possibilities for our customers, setting a new standard of convenience. Further, we introduced digital customer verification, streamlined teller services and enabled seamless foreign remittances, all aimed at enhancing accessibility and security.

Partnering with Quantum, an international software service provider, we are about to unveil a cutting-edge treasury software system, showcasing our commitment to staying ahead of the curve. These technological strides have not only positioned us for the future but have also fortified our foundation, making us a safer and more resilient institution. As a result, our digitally enabled retail customer base has grown by over 45%, with digital transactions soaring by over 19% year on year.

Automation has been a focal point, optimising processes across the board, from centralised procurement to real-time monitoring of branch operations. Looking ahead, we are poised to introduce AI-based interfaces, including a trilingual AI-Smart chatbot on our website, enhancing customer support while maintaining the human touch through our call center operations. Digital Assistants deployed across our branches have further facilitated customer onboarding and engagement with our digital platforms.

By harnessing the power of analytics to gauge stakeholder engagement, we are well-positioned to strategically leverage future-ready products and services, ensuring we continue to meet and exceed customer expectations in the ever-evolving digital landscape.

Promoting women's empowerment and SME growth

Our dedication to empowering women and SMEs extends far beyond a range of financial products and services specifically tailored to their needs; it encompasses training and capacity building programmes, the digital business ecosystem – "Commercial Bank LEAP GlobalLinker" – to enhance global market access, SME fairs and clinics and advisory services. Through targeted resource allocation and succession planning, we foster an internal environment conducive to the advancement of women into middle and senior management positions.

Through collaboration with the IFC and DFAT Women in Work program, the Bank has undertaken various initiatives aimed at improving women's access to finance and enhancing financial literacy. Our inaugural women-focused product, the Anagi Women's Savings Account, introduced in 2012, has seen significant growth, with over 600,000 accounts opened and the balance exceeding Rs. 36 Bn. Additionally, the "Anagi Business Loan for Women Small and Medium Entrepreneurs", launched in 2022, has amassed a portfolio worth over Rs. 3.0 Bn. as of the end of 2023. This initiative not only provides financial support but also offers capacity-building services and educational partnerships, empowering women entrepreneurs to date throughout Sri Lanka.

Despite facing challenges, we maintain a strong focus on the quality of our SME portfolio while actively engaging in government-sponsored credit lines to bolster support for SMEs. Our emphasis on sectors like agriculture and microfinance extends to rural areas, contributing to the development of the rural economy and mitigating potential food shortages. Notably, the Ministry of Finance, Sri Lanka, acknowledged Commercial Bank as the foremost SME lender for the years 2020, 2021 and 2022, highlighting the Bank's strong dedication to the SME sector. In collaboration with GlobalLinker, an international business enabling platform committed to making SME businesses simpler, we launched Commercial Bank LEAP GlobalLinker, an online business ecosystem providing SMEs and corporate clients with free access to a wide array of tools and resources. From digital catalogues to e-commerce platforms, this initiative fosters growth, facilitates networking and enhances industry awareness, enabling SMEs to explore new avenues and expand their local and global market presence.

Pioneering ESG and wider sustainability stewardship

This Annual Report details the Bank's proactive efforts in ESG and wider sustainability stewardship. Despite not being bound by mandatory environmental regulations, the Bank acknowledges climate change as a shared responsibility and is committed to set an example for environmentally conscious corporate practices. This commitment is exemplified by the Bank's comprehensive "Climate Position Statement", which outlines its strategies for sustainable operations and environmental stewardship. Notably, the Bank achieved carbon neutrality status, surpassing regulatory requirements and demonstrating its dedication to reducing its carbon footprint voluntarily.

Aligned with its Sustainability Framework, these initiatives showcase the Bank's leadership in environmental sustainability and innovative approaches. By embracing responsible finance and sustainable banking practices, the Bank empowers communities and businesses towards environmentally conscious, socially inclusive and economically enriching progress, aligning with the CBSL's Road Map for Sustainable Finance in Sri Lanka.

The Bank's commitment extends beyond words to impactful action through its CSR Trust, which invests in education, healthcare, environment, community and cultural heritage initiatives. With initiatives such as providing green financing facilities and transitioning towards a paperless culture, the Bank is actively working towards reducing its environmental impact. These efforts have been recognised internationally, with accolades such as being named the "Best CSR Bank" by Global Banking and Finance Review Magazine, UK and the "Best Sustainable Practices in Banking – Sri Lanka 2023" at the Global Business and Finance Magazine Awards 2023.

Moreover, the Bank's participation in global forums, such as the UN Climate Change Conference and integration of eco-friendly features into its digital banking platforms further highlight its commitment to sustainability. As Commercial Bank stands at the forefront of leading the charge towards a sustainable future, it inspires other businesses to adopt proactive roles in safeguarding the planet and driving positive change.

2024: A forward-thinking outlook

Looking forward to 2024, we acknowledge the persistent economic hurdles and reaffirm our dedication to resilience and preparedness for the future. Our strategic agenda prioritises refining digital customer experiences to ensure seamless interactions, that obviate the need for physical visits to the Bank. Capital management efforts will continue to focus on engaging in capital-light activities and capital-raising exercises and fundraising endeavours, ensuring robust capitalisation for stakeholder value maximisation.

Moreover, our unwavering commitment to supporting exporters, local manufacturers, renewable energy projects, corporates and SMEs will remain steadfast, ensuring their sustained financial strength and operational viability in the long run. We will further enrich our groundbreaking digital ecosystem for business clients, emphasising our commitment to pioneering solutions tailored to customer needs. The long-term bancassurance partnership we entered into with AIA will enable us to leverage AIA's exceptional capabilities and broaden our revenue sources. Additionally, we will sustain our focus on operations in Bangladesh and other international markets, leveraging this competitive advantage to propel growth and profitability.

Following the receipt of the National Quality Award in 2022, we dedicated ourselves to uphold and enhance the quality standards ingrained in our services and values, honed over our 104-year journey. With the Customer Experience Unit set up in 2023, we aim to set new benchmarks in customer satisfaction starting from 2024 and establish itself as a service leader in the banking industry.

Fuelled by the courage, conviction and empathy of our skilled team and the unwavering trust of our clientele, we approach the future with confidence. Through continued emphasis on supporting SMEs, advancing renewable energy endeavours and embracing technological evolution, we remain steadfast in our mission to construct a digitally empowered, sustainable and forward-looking institution, anchored in our enduring pursuit of excellence.

Acknowledgements

Concluding my review, I wish to extend my heartfelt gratitude to our esteemed customers and shareholders for their unwavering support throughout the years. I am deeply appreciative of the dedication and hard work demonstrated by our Corporate Management, Senior Management, and staff members across all regions, including Sri Lanka, Bangladesh, the Maldives and other overseas locations, as well as our Sri Lankan subsidiaries. Additionally, I am thankful for the invaluable guidance provided by the Chairman and the Board of Directors in navigating unprecedented challenges. I also wish to express my sincere appreciation to the Governor, members of the Governing Board and the Monetary Policy Board and officials of the Central Bank of Sri Lanka for their guidance and support in maintaining a stable regulatory environment. Special thanks are extended to our External Auditors, Ernst & Young, for their professionalism and timely completion of the audit.

As we embark on the journey ahead, let us pledge to remain agile, innovative and customer-centric in all our endeavours, embracing change, fostering collaboration and upholding our core values. With renewed vigour, determination and a shared resolve, let us make 2024 a year of innovation, sustainability and unparalleled achievement, inscribing new tales of triumph and prosperity in the annals of our Bank's legacy. Together, we possess the formidable power to shape a brighter, more inclusive future for all stakeholders.

I would like to end my review by referencing to a fitting quote from Helen Keller that reads as "Alone we can do so little; together we can do so much" which emphasises the power of collaboration and unity in accomplishing great things.



S C U Manatunge
Managing Director/Chief Executive Officer

February 21, 2024
Colombo

Awards and accolades



International Awards

Global Finance Magazine



- Best Bank in Sri Lanka 2023
- Best Mobile Banking App Sri Lanka 2023 – Combank Digital
- Best SME Bank – Sri Lanka 2023

The Asian Banker Magazine, Singapore 2023



- Strongest Bank In Sri Lanka 2023

AsiaMoney Awards



- Best Bank for Digital Solutions in Sri Lanka 2023

Finance Asia Magazine



- Best Bank in Sri Lanka 2023

Corporate Treasurer Awards 2023

- Best Treasury Team – For Financial Institutions

CAFI Awards by IFC

- Climate assessment for Financial Institutions (CAFI) award

Finance Derivative Magazine, Netherlands

- Best Digital Bank Sri Lanka 2023
- Best Bank for Remittances – Sri Lanka 2023

Global Brands Magazine, UK

- Best Banking Brand – Sri Lanka 2023

Asian Banking and Finance Magazine – Corporate and Investment Banking Awards 2023

- Debt Deal of the year – Sri Lanka 2023

Asian Banking and Finance Magazine – Retail Banking awards 2023

- Digital Consumer Banking Initiative of the Year 2023
- SME Bank of the year

Asian Banking and Finance Magazine – Wholesale Banking Awards 2023

- Domestic Trade Finance Bank of the year – Sri Lanka

Gazet International Magazine, Singapore

- Best Bank in Sri Lanka 2022
- Best Digital Bank in Sri Lanka 2022
- Best SME Bank Sri Lanka 2022
- Most Sustainable Private Bank Sri Lanka 2022

The European Global Business Awards 2023

- Best Performing Bank Sri Lanka 2023
- Green Bank of The Year 2023
- ESG Banking Partner of the year Sri Lanka 2023

Brands Review Magazine Awards 2023, UK

- Best Commercial Bank – Sri Lanka 2023
- Best Customer Centric Commercial Bank – Sri Lanka 2023
- Most Reliable Digital Bank in Sri Lanka

Business Tabloid Magazine

- Best Retail Bank in Sri Lanka

Cosmopolitan the Daily Business Awards, USA

- Best Mobile Banking App Sri Lanka 2023 – Combank Digital
- Best Digital Bank – Sri Lanka 2023

Global Banking and Finance Review Magazine, UK

- Best Retail Bank The Next 100 Global Awards
- Best Retail Bank in Sri Lanka
- Century of Excellence
- Best CSR Bank
- SME Bank of the year

Global Business and Finance Magazine Awards 2023

- Best Sustainable Practices In Banking – Sri Lanka 2023

Global Business Magazine, UAE

- Best Commercial Bank in Sri Lanka 2023

Global Business Outlook Awards 2023



- Most Innovative Digital Bank – Sri Lanka 2023
- Best SME Bank – Sri Lanka 2023

Global Business Review Magazine, UAE



- Best Retail Bank Sri Lanka 2023
- Strongest Bank in Sri Lanka 2023
- Best Digital Bank in Sri Lanka
- Best Bank for Environmental, Social and Governance (ESG) Sri Lanka 2023



Local Awards

Global Retail Banking and Innovation Awards 2023, The Digital Banker Magazine Singapore

- Best Digital Account – Flash Digital Bank Account

ICC's Emerging Asia Banking Conclave & Awards - Indian Chamber of Commerce

- Best Bank in Sri Lanka 2023
- Best Performance on Risk Management
- Best Performance on Assets Quality
- Best Performance on Growth
- Best Performance on Risk Management
- Best Performance of Profitability

International Banker 2023 - Banking Awards 2023

- Best Innovation In Retail banking Sri Lanka 2023

International Business Magazine, UAE

- Best Commercial Bank Sri Lanka 2023

International Finance Awards 2023

- Best Retail Bank – Sri Lanka 2023
- Best SME Bank – Sri Lanka 2023

Private Banker International Global Wealth Awards 2023, Singapore

- Highly Recommended – Best ESG Offering

Retail Banker International Asia Trailblazer Awards

- Highly Commended – Best Advance in Responsible Finance
- Highly Commended – Excellence in Internet Banking

Brand Finance 2023

- Strongest Bank Brand in Sri Lanka
- Most Valuable Private Sector Bank

Best Web.Ik



- Overall Winner 2023 – Gold
- Best Banking & Finance website in Sri Lanka 2023

Business Today top 40



- No. 1 in Private Bank Sector

LankaPayTechnnovation Awards 2023



- Gold Award – Most Innovative Bank of the Year
- Gold Award – Overall Award for Excellence in the Inter Bank Digital Payments (Banking Institutions)
- Gold Award – Best Bank for Retail Payments
- Gold Award - Best Mobile Application for Retail Payments via LankaQR (Banks and non-Bank financial Institutions) – Q+ Payment App
- Silver Award – Best LankaPay Card Implementer of the Year
- Silver Award – Financial Institution of the Year for Best Digital Payment Strategy
- Merit Award – Bank of the Year for Financial Inclusivity

LMD-Most Respected Entities



- 4th Place Overall/ 1st place among banks

SLIM Kantar People's Awards



- People's Private Bank of the Year

LMD- Customer Survey Research

- Customer Survey Research (Investment Banking – 1st Place)
- Customer Survey Research (Banking Industry – 1st Place)

LMD- Most Respected

- Most Respected Entities (Overall – 4th Place/Banking – 1st Place)

LMD-Customer Excellence

- Winner – Banking Sector ranking
- Winner – Investment Banking Sector ranking

TAGS Awards 2023

- Gold Award – Corporate Governance Disclosure
- Gold Award – Digitally Transformative Reporting
- Gold Award – Best Annual Report in the Banking sector
- Bronze Award – Overall Excellence in Corporate Reporting

LMD- Most Awarded

- Most Awarded Brand (Overall – 2nd Place/Banking 2nd Place)

LMD – Brand Finance

- Most Valuable Consumer Brand (Overall – 3rd Place/Banking – 2nd Place)

SLIM Brand Excellence 2023

- Silver Award – Service Brand of The Year 2023
- Merit Award – Local Brand of The Year 2023

National ICT Awards NBQSA 2023

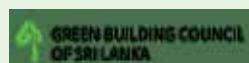
- Silver Award – Flash Digital Bank Account
- Silver Award – International Neighbourhood Market Analysis
- Merit Award – Send Money to any domestic card through ATM or Cash Deposit machine
- Merit Award – “Tap to Phone” – Contactless card payment through phone

FITIS Digital Excellence Awards 2023

- Merit award for Digital Marketing Strategy
- Merit award for Customer Centric Automation

ACCA – Sri Lanka Sustainability Reporting Awards

- Winner – Banking Category

Green Building Council of Sri Lanka (GBCSL)

- Gold – Green Building Awards for Trincomalee Branch

MerComm ARC Awards 2023

- Integrated AR & CSR: Non-Traditional Format – Silver Award
- Cover Design – Silver Award
- Interior Design – Bronze Award
- Illustrations – Bronze Award
- Written Text – Honours Award

New Generation Awards 2023

- Best Youth Campaign of the year 2023

Payment Partner Performance Awards of Daraz 2023

- The Best Engaging Overall Card Base
- Best Debit Card Base

LMD - Most Loved Brand

- Most Loved Brand (Banking – 3rd Place)

LMD 100

- The Leaders by Profit – 6th Place

**Bangladesh Awards****International Business Magazine, UAE**

- Most Sustainable Bank in Bangladesh

Global Economics Limited Magazine, UK

- Best Foreign Bank in Bangladesh

Global Business Review Magazine, UAE

- Best Corporate Bank Bangladesh

World Business Outlook, Singapore

- Most Recommended Foreign Bank in Bangladesh

Asian Banking and Finance Magazine, Singapore

- Bangladesh International Trade Finance Bank of the Year

Global Brands, UK

- Most Innovative Foreign Banking Brand – Bangladesh

Global Business and Finance Magazine, USA

- Best Foreign Bank Bangladesh 2023

Indian Chamber Of Commerce, India

- The best performance on Profitability
- The best performance on Growth
- The best Asset Quality
- The best performance of Risk Management

Biztech Outlook, USA

- Top Fastest Growing Companies to Watch 2023

The CIO Times Magazine, USA

- Most Innovative Companies Focused on Changing the Future 2023

Operating environment

Connecting with stakeholders

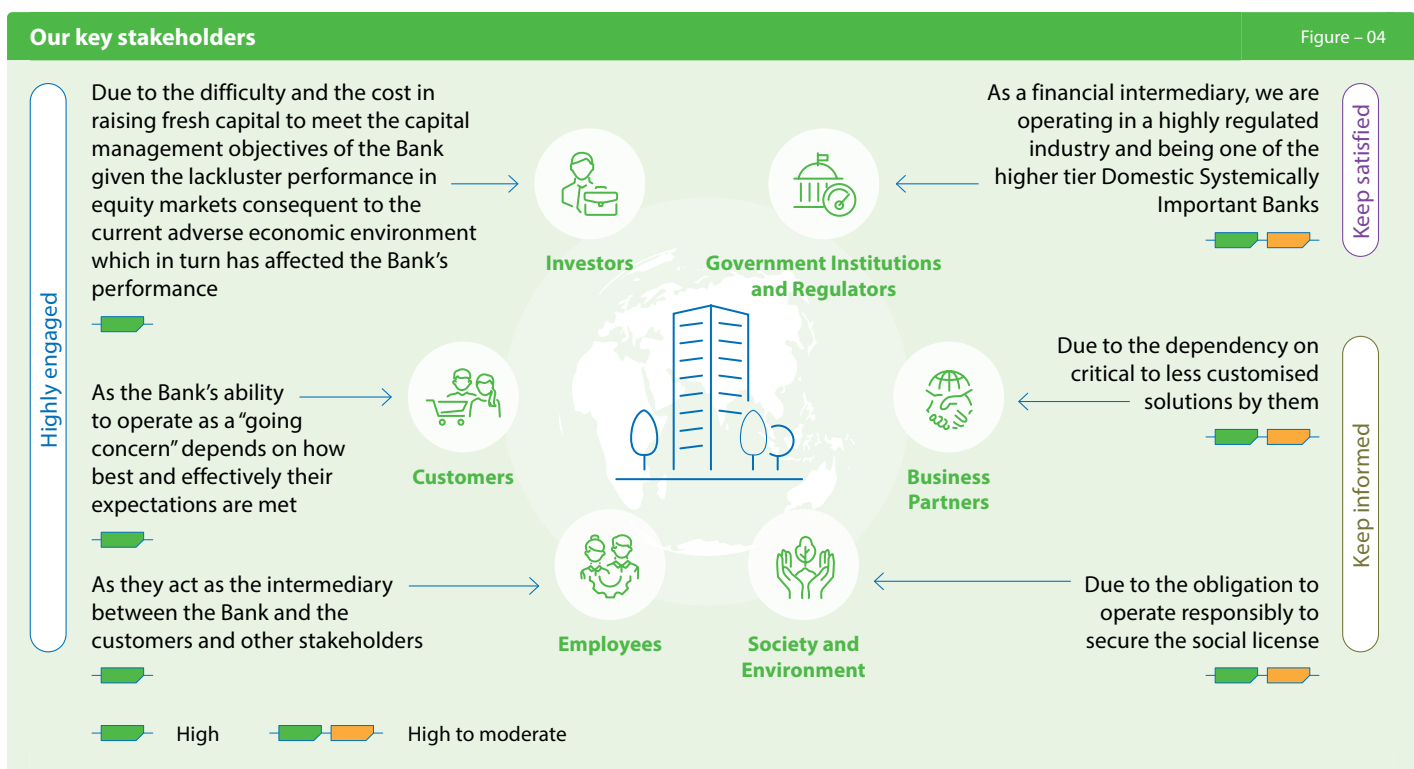
Engaging with stakeholders involves recognising the unique expectations of various stakeholder groups, understanding their differences, devising appropriate engagement strategies, prioritising their needs and actively seeking and responding to their feedback. This approach aims to foster enduring and mutually beneficial relationships, ensuring the Bank remains aligned with its core values and ethical principles. By consistently delivering on its commitments, the Bank aims to establish itself as a reliable and influential leader in financial services, leaving a lasting impression on stakeholders.

The Bank interacts with a vast array of internal and external stakeholders, crucial for value creation and sustainability. While legal obligations highlight certain groups like employees and investors, the pervasive influence of social media has expanded the stakeholder landscape to virtually anyone interacting with the Bank. This proliferation complicates stakeholder selection and prioritisation, challenging communication standardisation across networks and media. Stakeholders' preferences and expectations further complicate engagement strategies, intensified by recent unprecedented conditions. Yet, this turbulence emphasises

the pressing need to deeply engage, understanding concerns and aspirations to engage appropriately.

In this swiftly evolving banking landscape, the shift from physical to digital engagement is evident. Particularly, customers prefer digital interactions, favouring the comfort and convenience of remote engagement. The digital wave is not a passing trend – it is here to stay.

Acknowledging these dynamics, the Bank has identified key stakeholders given in the Figure 04 to be its key stakeholders considering their influence and their interest in our business. We have presented them in the order of their ability to affect our operations from high to low.



The Figure that follows showcases our stakeholder engagement process, embodying our commitment to prioritise stakeholders' interests—an ethos reflected in our tagline, "Our interest is in you". This dedication drives ongoing, transparent engagement across diverse platforms, fostering robust collaboration. By integrating their valid concerns and expectations into our strategy, we not only deliver value to stakeholders but also derive mutual benefits, fueling sustainable value creation.

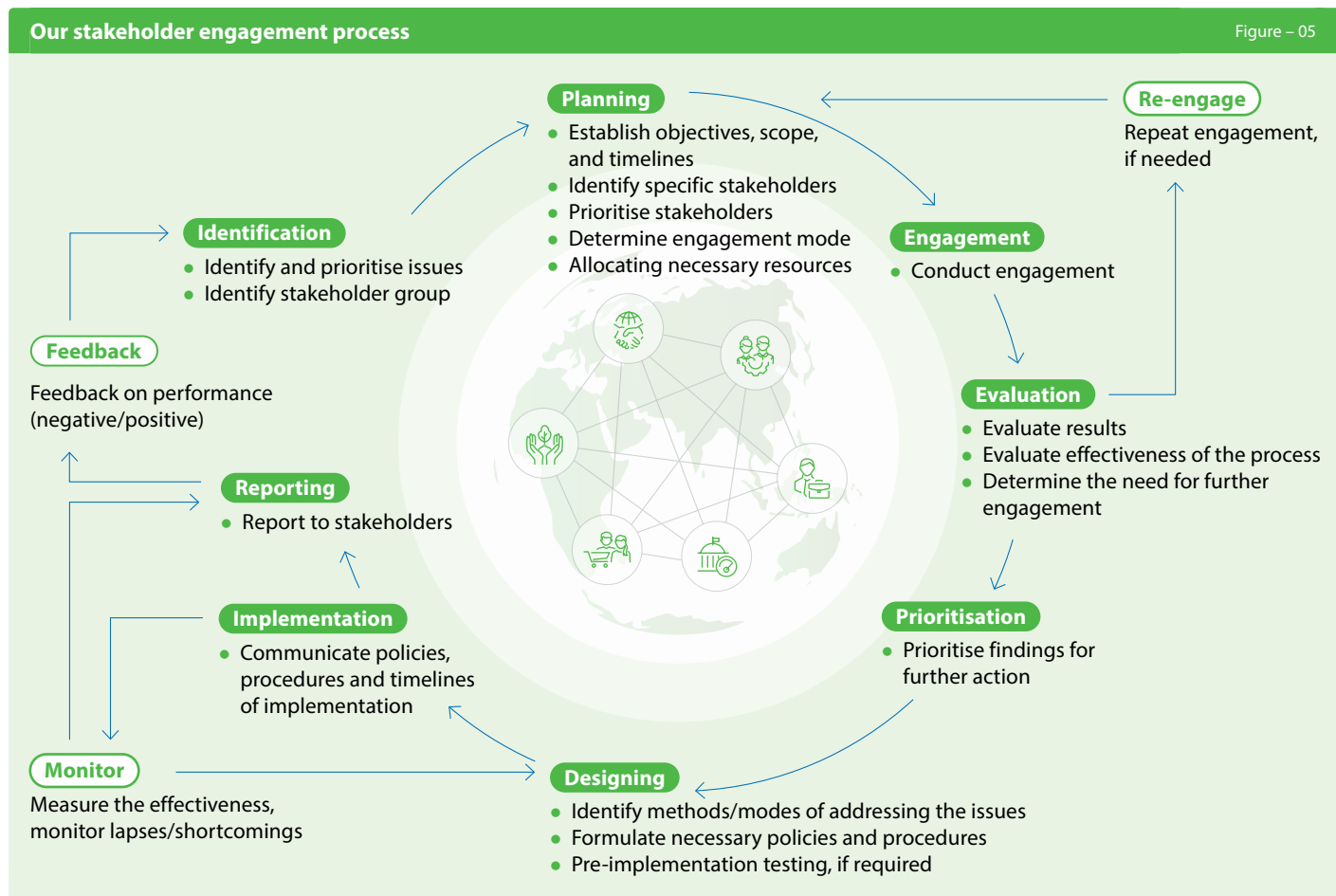


Table 03 on pages 40 and 41 showcases various formal mechanisms utilised to meet stakeholder expectations, with engagement responsibilities spread across the Bank's touchpoints. The pandemic shifted the dynamics, altering the depth, frequency and mode of engagement, prompting a greater reliance on digital platforms.

Our stakeholder engagement process serves as an agile tool, facilitating adaptation to evolving challenges, bolstering our business model, fostering innovation and gathering vital insights crucial for strategic planning.

Mode and frequency of stakeholder engagement



Investors

Engagement mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements	Quarterly
Investor presentations	As required
Press conferences and releases	As required
Announcements to CSE	As required
One-to-one discussions	As required
Investors' section in the Corporate website	Continuous
Feedback surveys	As required



Customers

Engagement mechanism	Frequency
Customer visits	As required
Complaints received	As required
Complaints resolution officer	As required
ComBank BIZ Club	Continuous
Branch network, call centre and digital channels	Continuous
Social media platforms	Continuous
Corporate website	Continuous
Customer workshops	As required
Relationship managers	Continuous

Engagement mechanism and frequency

Engagement mechanism and frequency

Key topics discussed and concerns raised

- Financial performance and dividend policy
- Digital Roadmap of the Bank
- The outlook of the interest rates and the exchange rates
- Business expansion plans and key strategies
- Risk management and governance framework in place
- Rising taxes in the financial industry
- Resilience to adverse economic conditions
- Rising Non-Performing Credit facilities (NPCF) and impairment charges
- An overview of the economy and the outlook of the Banking sector
- Economic slowdown due to lack of policy consistency
- Possible haircut on FCY denominated investments and impairment charges
- Sharp drop in FCY reserve and successive sovereign downgrades
- Sustainability and Climate related developments

- Swift service
- Customer security and privacy
- Service quality
- Affordability of services and convenience
- Grievance handling mechanism
- Financial education and literacy
- Financial support for revival of business
- Access to financial services
- Enrolment to digital platforms
- Operationalising of CBSL directives
- Financial support for women entrepreneurs

Key topics discussed and concerns raised

Bank's response to stakeholders

- Robust Risk Management and Governance Framework
- Optimum level of liquidity and prudent capital management
- Digitalisation of customer journey
- Use of data analytics for decision making
- Cost optimisation strategies
- Prudent impairment provisioning
- Financial planning based on expert advice

- Improvements to service delivery channels to support customers
- Setting up Digital Experience Zones to help customers gradually migrate to digital channels
- Offering concessions to individuals and businesses by restructuring and rescheduling loan facilities to support during challenging times
- Non-financial support to SMEs and Micro Businesses
- Assisted SME customers with financial literacy programmes
- Offering a range of products and services to suit customer requirements
- Setting up of a Customer Experience Unit to further enhance the service quality

Bank's response to stakeholders

Table – 03



Employees

Engagement mechanism	Frequency
Managers' Conference	Annually
Town hall meetings	Annually
Regional review meetings	Quarterly
Regional Managers' meetings	Monthly
Branch marketing meetings	Monthly
Training programmes	As required
Intranet	Continuous
Special staff events	Annually
Trade union discussions	As required
Employee satisfaction survey	As required

- Performance evaluation and rewards
- Career advancement opportunities
- Training and development
- Work-life balance
- Retirement benefit plans
- Diversity and inclusion
- Workplace safety
- Stability of the Bank

- A group of identified potential branch Managers were enrolled to a Leadership Development Program conducted by the Postgraduate Institute of Management (PIM)
- Special Virtual training programs were conducted targeting Branch Managers, Assistant Branch Managers and Executive Officers covering technical and soft skills
- Migration of employee engagement and development programmes to digital platforms
- The Bank remains committed to the principles of equal opportunity irrespective of gender, age, race, disability or religion in all its HR management processes
- The Collective Agreement with the Bank's branch of the Ceylon Bank Employees' Union (CBEU) was renewed for a further 3-year period



Society and environment

Engagement mechanism	Frequency
Multiple delivery channels	Continuous
Press releases, conferences and media briefings	As required
Informal briefings and communications	As required
Public events	As required
Corporate website	Continuous

- Responsible financing
- Community engagement
- Financial inclusion
- Microfinance and SME
- Ethics and business conduct
- Environmental stewardship
- Employment opportunities

- Financial literacy programmes for prospective SMEs and Micros
- Donation of fully-equipped IT laboratories to schools and other institutions
- Donation of critical medical equipment to government hospitals
- Reforestation of 100 hectares in Kandegama, Polonnaruwa
- Mangrove plants were planted to protect lagoons
- Setup of STEM classrooms and maths labs in rural schools
- Plantation of 12,000 trees under "Trees for tomorrow" programme



Business partners

Engagement mechanism	Frequency
Supplier relationship management	As required
On-site visits and meetings	As required

- Contractual performance
- Continued business opportunities
- Maintaining healthy relationships
- Timely settlement of dues
- Collaboration for new technological advances in the financial sector

- Clear communication of Bank's policies and procedures
- Honouring payments in a timely manner upon delivery
- Continuous engagement
- Supplier education to improve their business processes



Government institutions and regulators

Engagement mechanism	Frequency
On site and off site examinations	As required
Directives and circulars	Continuous
Meetings and consultations	As required
Press releases	As required
Periodic returns	As specified
Submissions to policymakers	As required
Responses to consultation papers on Directions and other regulations	As specified
Attending training programs	As required

- Compliance with directives and codes
- Provision of financial support to mandatory industries
- Stability of the financial system
- Migration to cashless payment platforms
- Supporting economic recovery and growth

- Remaining compliant with regulatory requirements
- Timely submission of regulatory reports and returns
- Timely payment of tax payments and furnishing of tax returns
- Aligning internal strategies to support growth and revival of the economy

Material matters

Amidst the post-COVID-19 landscape, banking operations have witnessed the emergence of new trends and influences. The surge in demand for digital banking has spurred our Bank to enhance its digital services, aligning them with customer value streams across the entire journey. To bolster this initiative, we established a Customer Experience Unit, reflecting our commitment to elevate service standards. This customer-centric approach is integral to our Vision, Mission and Values, emphasising the delivery of exceptional service and fostering loyalty through innovative technology and seamless interactions.

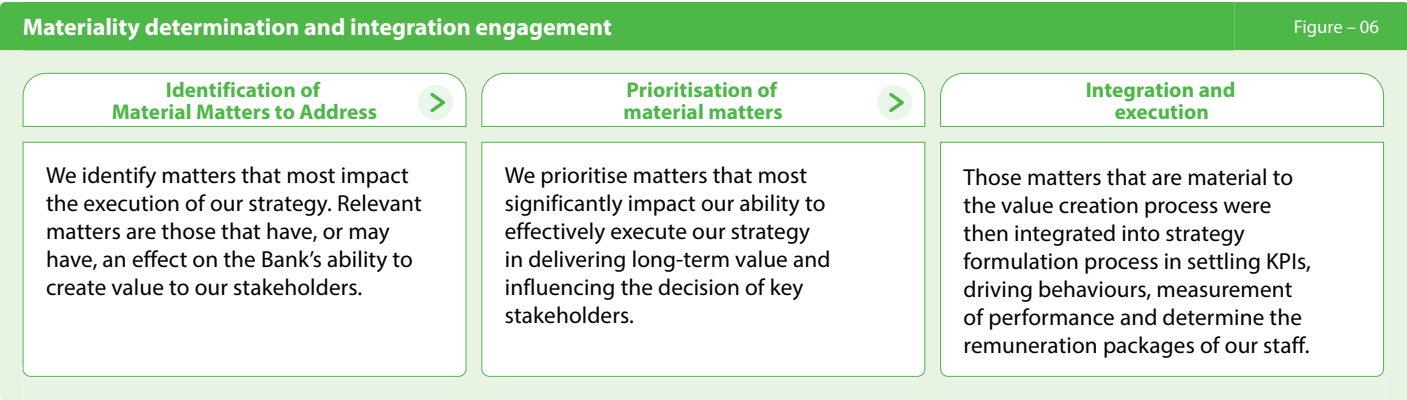
The proliferation of digital products since 2020 has been pivotal in transforming the banking culture from traditional footfall to a diverse array of digital offerings readily available to stakeholders. Alongside this transformation, our Bank has actively assisted stakeholders in transitioning not

only to digital platforms but also towards environmentally-conscious business practices aimed at reducing carbon emissions. Emerging from the pandemic, we have entered a new era of sustainability, where our procurement and lending practices adhere to both internal and external standards of sustainable banking. Our commitment to creativity has been instrumental, driving forward-thinking digitalisation efforts across various channels and streamlining internal processes through automation.

The Bank demonstrated unparalleled resilience, swiftly adapting to the dynamic shifts in technology, demographics and stakeholder preferences. As a leader in technology, we bolstered our customers' technological and financial literacy, guiding them through their banking journeys. Our trilingual presence across various interfaces contributed significantly to customer retention and expansion.

We remained vigilant of global trends, embracing new initiatives and technologies that shaped the landscape of 2023. Despite market and credit risks inherent in our operations, we maintained robust financial reserves, ensuring ample liquidity and capital buffers. Our proactive provisioning strategies were especially crucial in navigating the challenging economic environment marked by subdued growth, fluctuating interest rates and ongoing sovereign debt restructuring efforts.

In this environment, it was imperative to implement astute and forward-thinking measures. Resilience meant anticipating and adapting to disruptions, ensuring our relevance as a modern institution that embraces technology, digital innovation and automation while remaining true to the core values upon which our Bank was founded over a century ago.

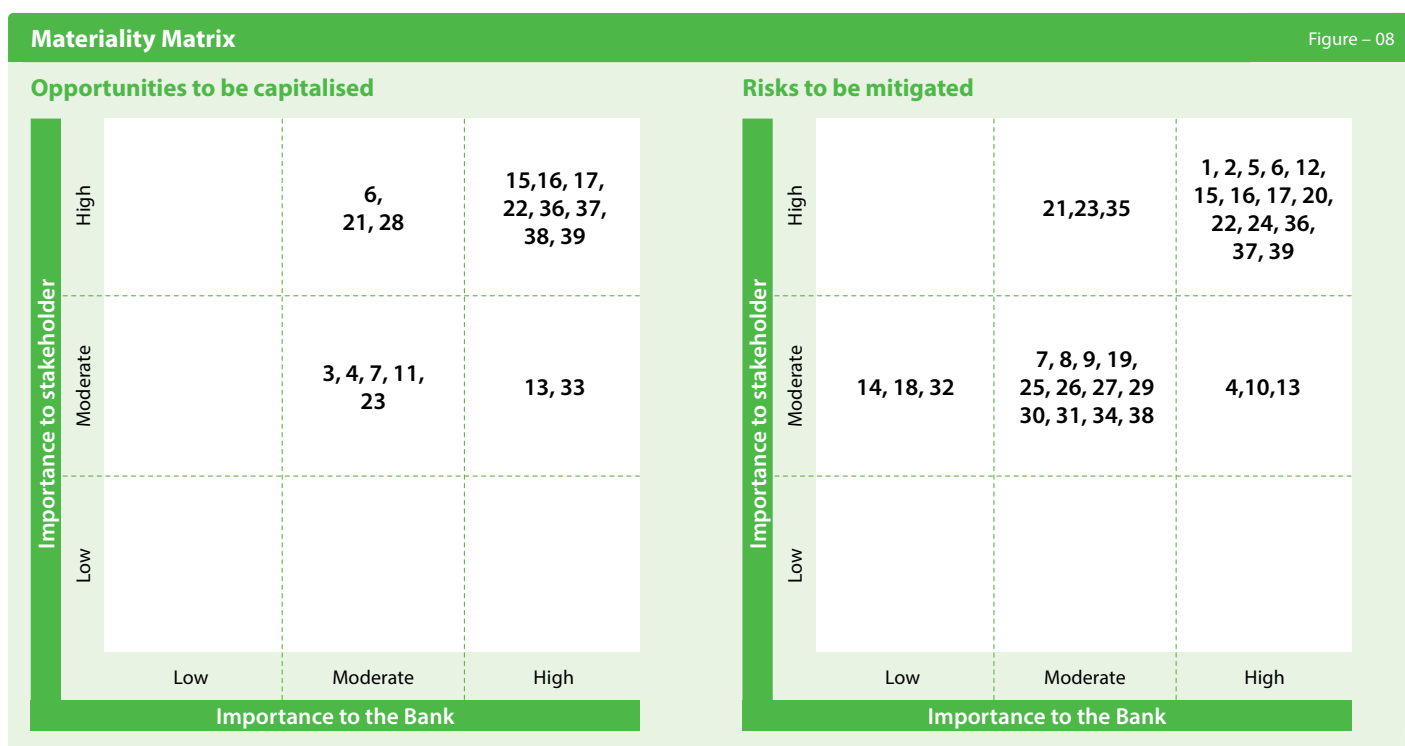


To assist in pinpointing material topics, adjust the Bank's strategy to address the "new normal" and actively contribute to shaping the recovery, the Bank conducted an analysis of its external environment. This analysis aimed to identify issues stemming from shifts catalysed by recent developments in the political, economic, social, technological, environmental and legal/regulatory domains that were pertinent to key stakeholder groups, as outlined below:

Matters relevant to the key stakeholder groups

Figure – 07

	Political	Economic	Social	Technological	Environmental	Legal/Regulatory
 Investors	1 Lack of desired level of policy consistency 6 Lack of desired level of transparency and accountability	2 Economic slowdown 7 Depreciating Rupee & BDT against USD 10 Downgrading of the Sovereign rating and its cascading effect on the Banking industry 13 High CAPEX requirements	3 Growing influence of social media 8 Demand for non-financial information and long termism 11 Demand for more transparency and accountability	4 Unorthodox competition and financial disintermediation		5 New regulations, compliance requirements and directives 9 Compliance with Basel requirements 12 Higher regulatory capital as a D-SIB 14 New Banking Act
 Customers		15 Asset growth and asset quality 19 Import restrictions	16 Changing customer expectations 20 Cybersecurity Threats	17 Migration towards digital platforms		18 Compliance requirements and regulations such as FATCA1, GDPR2 and BEPS3
 Employees		21 Need to enhance productivity	22 Talent management 24 Health and Safety	23 Need to reskill staff with technological advancements 25 New working cultures		
 Society and environment	26 Geopolitical conflicts 30 Corruption 34 Ongoing wars in Europe and Middle East	27 Declining worker remittances 31 Declining global competitiveness of Sri Lanka	28 Need to commit to Sustainable Development Goals (SDGs) 32 Increasing conflicts 35 Increasing drug pedaling and drug and alcohol addiction 37 Being socially responsible		29 Increasing frequency and magnitude of natural disasters and poor disaster preparedness 33 Increasing demand for green banking and green lending 36 Climate change	
 Business partners		38 Partnerships for goals through a more collaborative approach		39 New technological advances such as AI, Robotics, blockchain		



Management approach

The Bank prioritises the interests of all stakeholders and thus adheres to principles of mutuality and shared value, ensuring that value is both delivered to and derived from them, ultimately resulting in value creation for all parties involved.

In managing its material topics, the Bank integrates them into its strategic planning process. This involves assigning accountability to the heads of relevant divisions within the Bank and allocating resources accordingly based on the importance of each material topic in achieving strategic objectives. Goals and targets related to these material topics are integrated into the Key Performance Indicators (KPIs) of Key Management Personnel (KMP) and are regularly reviewed to ensure alignment with the Bank's objectives.

Numerous policies have been established to ensure that staff conduct activities responsibly, transparently and ethically in managing material topics. The Board of Directors has formally adopted these policies, which undergo regular review at predetermined intervals to ensure they remain current and reflective of changing conditions. The Integrated Risk Management Department (IRMD) monitors timely revisions to these policies and reports its findings to the Board Integrated Risk Management Committee (BIRMC).

When applicable, grievance mechanisms have been established, with divisional heads assigned responsibility for managing, addressing and resolving grievances. The Bank also screens its lending to customers and dealings with business partners for social and environmental considerations.

Periodic internal and external audits and verifications are conducted to ensure adherence to internal controls, policies and procedures established to achieve the objectives of material topics. Findings from these audits are reported to the Board of Directors and/or relevant Management Committees for review and corrective action, as needed.

The overall risk profile of the Bank, as depicted by its rating and the awards and accolades it has secured over the years, serves as a clear demonstration of the effectiveness of the management approach.

Material topics, risks, opportunities, how we manage and GRI disclosures

The Bank has identified material topics mapped into the blocks representing high importance to stakeholders and high and moderate importance to the Bank under both opportunities to be capitalised on and risks to be managed in the Materiality Matrix shown above.

Material topics, risks, opportunities, how we manage and GRI disclosures

Table – 04

Material matters	Risks	Opportunities	How we manage	GRI disclosure
Policy inconsistency 1	Difficulties encountered in the process of planning and budgeting and risk of being unable to comply with regulatory requirements, leading to strategic risks.		Increasing the stress levels of the parameters used for and frequency of stress testing. Frequently reviewing strategies and goals against changes in the external environment.	GRI 201: Economic Performance GRI 207: Tax
Economic slowdown 2	Stifled business growth affecting value creation and resulting disappointment among the stakeholders.	Being prepared to meet the pent up demand that could arise when the situation comes back to normalcy.	Being alert to the developments and maintaining fundamentals to exploit opportunities when they come.	GRI 201: Economic Performance
New regulations, compliance requirements and directives 5 and 12	Increased costs in implementation, modification and monitoring of process and the risk of not being compliant.	Good governance is the bedrock of a sustainable business and helps boost stakeholder confidence.	Bank is committed to being compliant to the letter and spirit of rules and regulations and believes in commitment to good governance provides a strong footing for sustainable growth. Please link refer section on "Annual Corporate Governance Report" on pages 177 to 194.	GRI 205: Anti-corruption GRI 206: Anti-competitive Behaviour
Transparency and accountability 6	Non-disclosure of adequate information may give rise to reputation risks and regulatory pressures. Increased demand for forward looking strategic direction by investors over conventional reporting of past performance.	Transparency breeds extra assurance on the Bank, creates trust, leverages faith that will be seen in an upsurge of stakeholder engagement. It will also help reduce risks of unwarranted suspicion and help achieve faster resolution of issues and reputation related risks.	Bank's approach on transparency and accountability is discussed in detail on the section on "Annual Corporate Governance Report" on link pages 177 to 194.	GRI 205: Anti-corruption GRI 207: Tax
Downgrading of sovereign rating 12	Reduction of international trade transaction volumes and hampers the ability to raise foreign currency in the international market	Healthy mix of foreign currency portfolios and Bank's regional presence supporting foreign currency liquidity supports Bank's ability to sustain its foreign currency transactions.	Bank's strength in the foreign currency mix in the balance sheet, built over the years and our regional presence has supported sustain our foreign currency operations. the section "Managing and Funding Liquidity" on link page 72 provides as insight how the Bank managed the impacts of this material aspect.	GRI 201: Economic Performance
Asset growth and asset quality 15	As a financial intermediary, Bank's value creation depends heavily on its ability to gear its capital in terms of assets and the quality of those assets. Inability to grow assets and deterioration in asset quality will lead to regulatory issues, stifled business growth and disappointment of stakeholders.	Growing the asset base and improving asset quality by strengthening credit evaluation and post disbursement monitoring mechanisms, using predictive capabilities.	The Bank implemented an Early Warning Signals system with predictive capabilities that can possible deterioration in asset quality 9-12 months in advance.	GRI 201: Economic Performance
Changing customer expectations 16	Customers, millennial in particular tend to value simplicity, convenience and experience above everything else in their interactions with the Bank, creating a risk for the Bank in maintaining customer loyalty by providing its services in a conventional manner.	Augmenting customer experience to capture the new age customers by investing in state-of-the-art technologies to replace legacy systems and reskilling staff for the digital age.	Investing in new technologies, implementing the Digital Road Map and continuous development of staff knowledge on emerging technologies.	GRI 203: Indirect Economic Impacts
Migration towards digital platforms 17 and 39	Failure to migrate to digital platforms and deploy new technologies such as AI, Robotics, blockchain etc. will affect customer service and their experience as well as operational efficiency.	Migration to digital platforms and deploying new technologies such as AI, Robotics, blockchain etc. will augment customer service and their experience as well as operational efficiency.	The Bank has introduced many digital platforms and apps to suit the divergent customer base of the Bank and is gradually introducing new technologies for its internal operations.	GRI 203: Indirect Economic Impacts

Material matters	Risks	Opportunities	How we manage	GRI disclosure
Cyber security 20	Cyber threats continue to increase globally and the need to protect the integrity and privacy of data becoming important than ever before. The pandemic has fuelled the risk of cyber attacks and thefts.	Having a robust cyber security programme boosts customer confidence in embracing and using digital platform and provides a distinctive advantage over competition in digital banking space.	A high importance is placed on this critical aspect and is always on the toes. Internationally recognised certifications we hold vets the robustness in our security systems. For more details please refer the section "IT Risk" in Risk Governance and Management report on pages 252 and 253.	GRI 418: Customer Privacy
Productivity 21	With the conventional business model, the profitability of the financial services industry has been declining globally over the past several decades. Productivity is an important aspect that will help to improve profitability. Failure to adopt mechanisms such as automation and digitalisation will make the Bank less attractive to most of the stakeholders.	Enhancing profitability through investing in automation and digitalisation to enhance operational efficiency and improve profitability and attractiveness of the Bank to them.	Investing in new technologies, implementing the Digital Road Map and continuous development of staff focussing on digital channels to facilitate the entire customer journey.	GRI 203: Indirect Economic Impacts
Talent management 22	Among the risks brought about by the pandemic and the aftermaths of the political and economic unrest are the high staff attrition, health and safety of the workforce, sustaining critical operations, sudden adjustments in to new working conditions top the list. Staff retention and recruitment becoming more challenging.	Adoption of digital means for remote working results in enhancing technology related skills and prompt rethinking of working conditions that may improve work-life balance and reduction in costs.	The Bank has given utmost priority when it comes to investing in employee training and development and placing safety of employees first by providing a safe working environment. Deviating from the conventional practices, the Bank is successfully experimenting newer methods and levels to recruit staff such as recruiting more Management trainees recruiting A/L students awaiting results as banking interns, creating new categories of employment for certain specialised categories of staff such as IT staff.	GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity GRI 403: Occupational Health and Safety
Need to reskill employees 23	The Bank being unable to meet the stakeholder expectations, millennial customers in particular, due to the staff not being reskilled to keep abreast with the latest technologies.	Proper reskilling of staff and helping and encouraging them to keep abreast with the latest technologies will help to delight customers and create "moments of truth".	Continuous training and development of staff and incentivising them to keep abreast with technologies used in the Bank.	GRI 401: Employment
Health and safety 24	Inability to ensure health and safety of staff will affect their work life balance and productivity and operational efficiency of the Bank. It may also lead to reputational risk.	Ensuring health and safety of staff will help the Bank to improve its efficiency of operations, productivity and profitability.	The Bank conducted regular fire drills and maintains safe buildings with clear signboards for emergencies. Further, a number of health awareness programmes were conducted to enhance employee health.	GRI 401: Employment GRI 403: Occupational Health and Safety
Need to commit to SDGs 28	As a national bank, failure to commit and work towards UN Sustainable Development Goals will seriously affect the sustainability of the banking operations and also cause reputational risk.	Commitment to UN Sustainable Development Goals will improve the sustainability of the banking operations and minimise reputational risk. This also makes the Bank's business model future-ready	Bank is explicitly committed and working towards 8 out of the 17 UN Sustainable Development Goals. Strategic initiatives in this regard are stemming from the Bank's Sustainability Framework and are built into the strategy.	GRI 203: Indirect Economic Impacts

Material matters	Risks	Opportunities	How we manage	GRI disclosure
Drug pedalling and drug and alcohol addiction 35	Failure to detect instances of money laundering and related compliance and reputational risks. Also, drug and alcohol addicts can cause an increase in security related risks.		Compliance with all the applicable rules and regulations. Continuous strengthening of systems and procedures relating to detection and prevention of the use of the Bank for money laundering operations.	GRI 205: Anti-corruption
Climate Change 36	Increasing frequency and magnitude of natural disasters may affect infrastructure, banking operations, business growth, operating costs, asset quality and pose reputational risks.	Responsible lending through Social and Environment screening may help reduce reputational risks and maintain asset quality.	Though the Bank's own footprint is minimal, it endeavours to minimise same through adopting green processes, moving to green buildings and generating solar energy for its operations. However, the Bank could make a bigger impact through its lending to renewable energy generation, greening of processes and screening for environmental impacts on businesses we lend to. Further, moving towards climate change mitigation procedures, such as reforestation with saplings, remote and hybrid work options lessening the commuting-dependent emissions are also helpful in this regard. How we do this is detailed in the section on "Climate Position Statement" on page 99.	GRI 302: Energy GRI 305: Emission
Being socially responsible 37	The world, increasingly ideological, will mandate that the Bank focuses on diversity factor to ensure that social justice, inclusivity and stakeholder welfare as apex issues.	Collaboration with Fin-Tech could open up new avenues to reach untapped markets and evolve alongside changing customer expectations. Advancement in new technologies such as Artificial Intelligence, Robotics and Block Chain could be used to boost operational excellence.	We believe in sharing the value created with the society we operate. Hence, the Bank has set up a CSR Trust for undertaking projects for improving the quality of education, health, culture & heritage and preservation of environment.  Please refer section "Community Engagement – Outreach on pages 112 to 119.	GRI 203: Indirect Economic Impacts
Partnerships for goals 38	Interruption to critical services could disrupt smooth execution of the Bank's operations. Unorthodox competition, financial disintermediation and failure to collaborate may threaten the conventional business model.	Increasing awareness and tendency towards renewable energy and greening of buildings and processes bring about green financing opportunities. Initiatives in countering impacts of carbon emission. Adopting a collaborative approach to co-create and offer products and services.	The Bank's continued efforts on building win-win partnerships and constantly seek for avenues to leverage evolving new technologies for the development of our own products, services, and delivery, described more in section on "Leading through Innovation" on pages 91 to 95.	GRI 206: Anti-competitive Behaviour

Operating context and outlook

We recommend the readers to review the Bank's performance detailed in this Annual Report alongside the global and local developments and projections outlined below, since it offers the underlying context for a comprehensive understanding.

Global economy

In 2023, the global economy exhibited resilience amid several significant challenges, including the ongoing recovery from the COVID-19 pandemic, geopolitical tensions resulting from Russia's invasion of Ukraine and the cost-of-living crisis. Despite these hurdles, the global economic recovery remained robust, with inflation falling faster than anticipated from its peak in 2022. This decline in inflation was attributed to favourable supply-side developments and central bank tightening measures, which helped to anchor inflation expectations.

Economic growth exceeded expectations in the second half of 2023, particularly in the United States and several major emerging market economies. Both government and private spending contributed to this upswing, supported by real disposable income gains and a supply-side expansion characterised by increased labour force participation and resolution of pandemic-era supply chain issues.

However, geopolitical tensions, such as the conflict in Gaza and Israel and ongoing warfare in Ukraine, posed risks to the global recovery. Continued attacks in key trade routes and potential supply disruptions threatened to generate adverse shocks to the global economy, particularly in terms of food, energy and transportation costs.

Looking ahead to 2024, global growth is projected to reach 3.1%, with a slight increase to 3.2% in 2025. Despite this positive outlook, forecasts remain below historical averages due to factors such as elevated central bank policy rates to combat inflation and fiscal tightening amid high debt levels. Global headline inflation is expected to decrease to 5.8% in 2024.

Although the likelihood of a hard landing has diminished, policymakers face the challenge of managing inflation while supporting economic growth. This requires a careful calibration of monetary policy and, in many cases, a renewed focus on fiscal consolidation to address budgetary concerns and curb the rise of public debt.

Targeted structural reforms are also deemed necessary to enhance productivity growth and debt sustainability, as well as to facilitate the transition to higher income

levels. Additionally, efficient multilateral coordination is essential for debt resolution and climate change mitigation efforts to mitigate the adverse effects of these challenges on the global economy.

World Economic Outlook Projections (% change)

Table – 05

	2022	2023 Est.	2024 Proj.
World Output	3.5	3.1	3.1
Advanced Economies	2.6	1.6	1.5
United States	1.9	2.5	2.1
Euro Area	3.4	0.5	0.9
Emerging and Developing Asia	4.5	5.4	5.2
China	3.0	5.2	4.6
India (*)	7.2	6.7	6.5
Russia	-1.2	3.0	2.6
World Trade Volume (goods & services) (**)	5.2	0.4	3.3
Oil (***)	39.2	-16.0	-2.3

* For India, data and projections are presented on a fiscal year (FY) basis, with FY 2022/23 (starting in April 2022) shown in the 2022 column. India's growth projections are 5.7% in 2024.

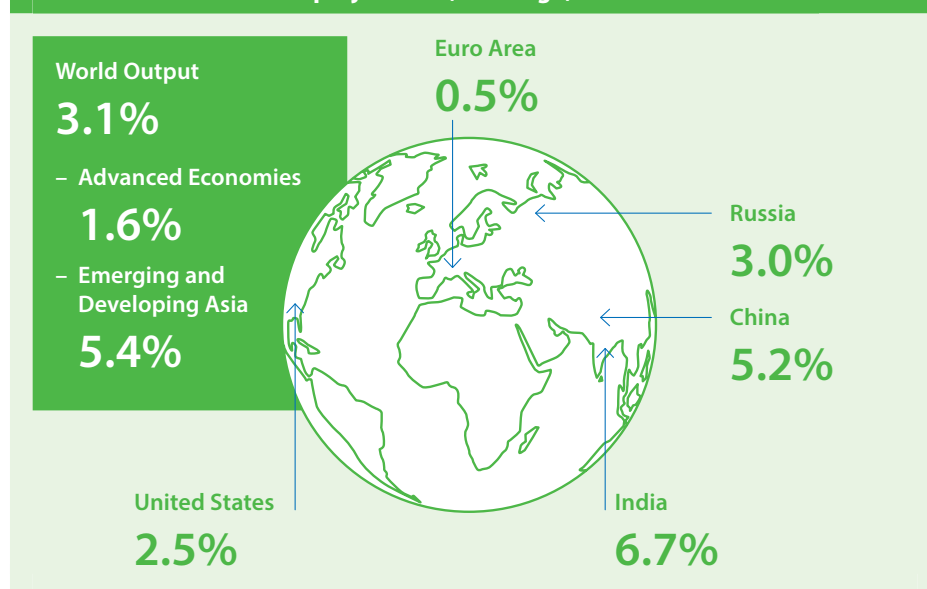
** Simple average of growth rates for export and import volumes (goods and services)

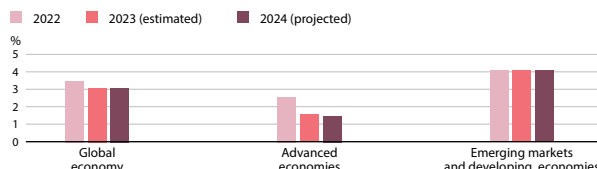
*** Simple average of prices of UK Brent, Dubai Fateh and West Texas Intermediate crude oil. The average assumed price of oil in US dollars a barrel, based on futures markets (as of November 29, 2023), is \$79.10 in 2024.

Source: IMF World Economic Outlook – January 2024

World economic outlook projections (% change) – 2023

Figure – 09



Global																		
	2023	2024																
Growth Outlook	Global growth is estimated to have slowed down to 3.1% in 2023 compared to 3.5% in 2022. Graph – 01 GDP growth  <table><caption>GDP growth (%)</caption><thead><tr><th>Category</th><th>2022</th><th>2023 (estimated)</th><th>2024 (projected)</th></tr></thead><tbody><tr><td>Global economy</td><td>3.5</td><td>3.1</td><td>3.1</td></tr><tr><td>Advanced economies</td><td>2.5</td><td>1.5</td><td>1.5</td></tr><tr><td>Emerging markets and developing economies</td><td>4.5</td><td>4.5</td><td>4.5</td></tr></tbody></table>	Category	2022	2023 (estimated)	2024 (projected)	Global economy	3.5	3.1	3.1	Advanced economies	2.5	1.5	1.5	Emerging markets and developing economies	4.5	4.5	4.5	Global growth is projected at 3.1% in 2024 by the IMF. High interest rates aimed at fighting inflation and a withdrawal of fiscal support amid high debt are expected to weigh on growth in 2024.
Category	2022	2023 (estimated)	2024 (projected)															
Global economy	3.5	3.1	3.1															
Advanced economies	2.5	1.5	1.5															
Emerging markets and developing economies	4.5	4.5	4.5															
Inflation	Inflation fell faster than expected from its 2022 peak, with a smaller-than-expected toll on employment and activity, reflecting favourable supply-side developments and tightening by central banks, which has kept inflation expectations anchored. Global headline inflation in 2023 is estimated at 6.3% (annual average).	Global headline inflation is expected to fall to 5.8% in 2024. The drivers of declining inflation differ by country but generally reflect lower core inflation as a result of still-tight monetary policies, a related softening in labour markets and pass-through effects from earlier and ongoing declines in relative energy prices.																
Interest Rates	To reduce inflation, major central banks raised policy interest rates to restrictive levels in 2023.	The faster-than-expected fall in inflation is allowing an increasing number of central banks to move from raising policy rates to adjusting to a less restrictive stance.																
Exchange Rate	The dollar ended 2023 with its first loss since 2020 against the euro and a basket of currencies on expectations the U.S. Federal Reserve will begin cutting rates in 2024 as inflation moderates.	With inflation hovering well above the Fed’s 2% target and the US economy showing a resilience few had predicted, the markets have priced in a scenario where interest rates remain high for longer.																
Trade	Global trade has experienced a decline throughout 2023, primarily influenced by diminished demand in developed nations, under performance in East Asia economies and a decrease in commodity prices – UNCTAD.	According to UNCTAD, forecast for global trade in 2024 remained highly uncertain and generally pessimistic. While certain economic indicators hint at potential improvements, persistent geopolitical tensions, high levels of debt and widespread economic fragility are anticipated to exert negative influences on global trade patterns.																

Sri Lankan economy

Despite facing multiple crises, the Sri Lankan economy has achieved a degree of macroeconomic stability through adherence to the IMF program and its recommendations. Moving forward, the focus is on timely implementation of agreements and resolving issues with external private creditors to restore the country's debt sustainability over the medium term.

Key priorities for the government include advancing revenue mobilisation, aligning energy pricing with costs, strengthening social safety nets, rebuilding external buffers,

safeguarding financial stability, eradicating corruption and enhancing governance, all in line with IMF expectations.

The IMF has emphasised that the Central Bank of Sri Lanka should maintain its focus on a multi-pronged disinflation strategy to safeguard the credibility of its inflation targeting regime, despite challenges posed by the increase in VAT to 18% in 2024 from 15% in 2023.

After bringing inflation down to 12% in June 2023, the Central Bank began relaxing its policy rates in June 2023 to stimulate economic growth. Positive economic growth was recorded in the third quarter of 2023,

following consecutive contractions since the first quarter of 2022.

Credit to the private sector staged a recovery in June 2023 after a full year of negative growth, indicating a potential revival in economic activity. The external sector has shown resilience, with stability largely restored in 2023 supported by improved foreign exchange inflows.

Despite challenges, the banking sector continued to operate amidst adverse conditions in 2023, reflecting its resilience in navigating the recent economic crisis. Overall, concerted efforts are underway to address economic challenges and foster sustainable growth in Sri Lanka.

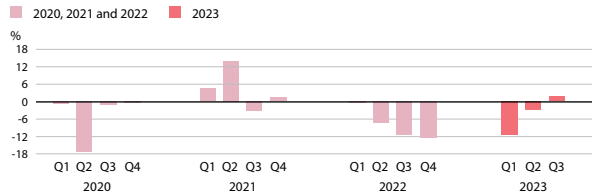
Sri Lankan Economy

2023

2024

Growth Outlook

Graph – 02: Quarterly GDP growth – Sri Lanka



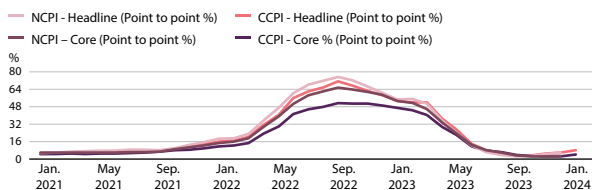
Towards the end of 2023, the Sri Lankan economy began displaying indications of a gradual recovery. Following consecutive contractions since the first quarter of 2022, positive economic growth of 1.6% was observed in the third quarter of 2023. However, the overall growth for 2023 is anticipated to be moderately negative with IMF projecting a 3.6% contraction.

Central Bank of Sri Lanka projects that the Sri Lankan economy will expand by 3.3% in 2024. IMF forecast for GDP growth in 2024 is lower at 1.8%.

Inflation

After reaching unprecedented levels in 2022, inflation decreased to single-digit levels by mid-2023. Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2021=100), was recorded at 4.0% in December 2023.

Graph – 03: Inflation



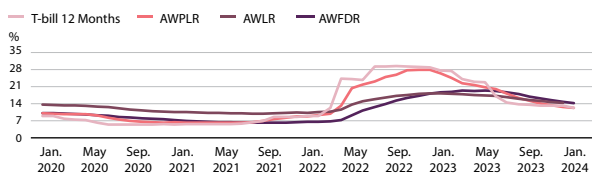
An upward trajectory in headline inflation is anticipated in the near term, largely attributed to changes in VAT starting January 2024.

The Central Bank of Sri Lanka aims to maintain CCPI-based headline inflation at around 5%.

Interest Rates

Interest rates underwent downward adjustments in response to monetary policy easing initiated by the Central Bank since June 2023. Falling risk premiums, following the finalisation of the Domestic Debt Optimisation (DDO), also contributed to this trend.

Graph – 04: Interest rates



More stable inflation rates, improved macroeconomic conditions and other policy measures are expected to alleviate upward pressure on interest rates going forward. However, towards the latter part of the year upward pressure on interest rates is expected in view of anticipated greater government borrowing pressure.

Credit to Private Sector

Outstanding credit to the private sector by LCBs (month-on-month movement in absolute terms) which recorded contractions from May 2022 to May 2023, started increasing from June 2023. Credit to the private sector expanded notably on a month-on-month basis in November (by Rs. 62.9 Bn.) as well as December 2023 (by Rs. 102.6 Bn.).

The gradual normalisation of market lending interest rates, along with improving investor and business sentiments, is anticipated to bolster the expansion of credit to the private sector.

Exchange Rate

Exchange rate stabilised below Rs. 330 per USD and ended 2023 at Rs. 324.25 per USD (appreciation of 13.18% during 2023).

An anticipated growth in imports in the light of an increase in economic activity is expected to exert downward pressure on the rupee although improvements in inflows from multilateral sources are expected to alleviate this pressure to some extent.

External Sector

The cumulative deficit in the trade account in 2023 narrowed to the lowest since 2010 to USD 4.9 Bn. from USD 5.18 Bn. in 2022.

Earnings from merchandise exports declined by 9.1%, to USD 11.9 Bn. The decline in industrial exports led by garments mainly contributed to the decline in export earnings. Expenditure on merchandise imports amounted to USD 16.8 Bn., recording a decline of 8.1%, year-on-year.

The decline in export earnings, particularly the significant drop in apparel export earnings, remains a critical concern for the Sri Lankan economy on the external front. The revival of apparel exports hinges on the timing of apparel export order revivals. In the event of any delay in this revival, the external current account's stability will heavily rely on earnings from tourism, remittances and services exports.

Sovereign Credit Rating

Following the completion of the Domestic Debt Optimisation (DDO), credit rating agencies Fitch and S&P upgraded Sri Lanka's long-term local currency sovereign credit rating. Fitch upgraded the rating from RD to CCC-, while S&P raised it from SD to CCC+.

If Sri Lanka manages to successfully conclude its external debt optimisation it will help the country to obtain a better sovereign credit rating, thereby paving the way for commercial borrowings.

Bangladesh economy

Bangladesh has emerged as a significant player on the global economic stage. Over the past decade, the country has witnessed remarkable economic growth while making strides in improving various socio-economic indicators. The agricultural sector remains a cornerstone of the economy, contributing significantly to GDP through key products such as rice and jute. Additionally, Bangladesh has solidified its position as a global leader in the garment industry, with the Ready-Made Garments (RMG) sector driving exports and employment opportunities. The services sector, including information technology and remittances, has also become a vital contributor to economic growth.

Despite these achievements, Bangladesh faces persistent challenges such as growing demand for infrastructure and widespread income inequality. However, the government's commitment to foreign investments, infrastructure development and social programs underscores its dedication to achieving sustainable development goals. Bangladesh's economic resilience, demonstrated during times of global adversity, positions it for continued growth and diversification.

In 2023, Bangladesh experienced a strong recovery from the COVID-19 pandemic, but its post-pandemic recovery was disrupted by challenges such as rising inflation, financial sector vulnerabilities, external pressure and global economic uncertainties. Despite these hurdles, the country remained on track to graduate from the Least Developed Country (LDC) status by 2026 and aimed to achieve upper middle-income status by 2031.

The ready-made garment industry continued to be the powerhouse of Bangladesh's economy, contributing over 80% of total exports. However, challenges such as lower demand among western consumers, geopolitical conflicts and labour unrest impacted export earnings. Additionally, rising fuel costs and energy production deficits strained government finances, leading to the depletion of foreign exchange reserves.

To address these challenges and spur economic growth, Bangladesh focused on increasing investment-to-GDP ratios and implementing various infrastructure development projects. Projects such as the Rooppur Nuclear Power Plant, Metro Rail project in Dhaka and Padma Bridge have significantly improved connectivity and infrastructure across the country. Furthermore, the government aimed to enhance climate resilience through increased investments in adaptation measures.

Looking ahead to 2024, Bangladesh aims to moderate its GDP growth ambitions in light of potential challenges in the export sector. However, solid growth records and proactive policy measures are expected to sustain the country's economic momentum. Despite subdued performance in the capital market and challenges in trade financing, Bangladesh remains resilient and poised for continued growth and development.

Banking sector

In 2023, the Sri Lankan banking sector navigated through a challenging economic landscape marked by multiple crises, including the impact of the COVID-19 pandemic and the need for adherence to IMF programs. Despite these challenges, the sector achieved a degree of macroeconomic stability, with efforts focused on implementing IMF recommendations and restructuring initiatives.

Key highlights of the Sri Lankan banking sector in 2023 include:

- Loans and advances experienced a contraction on a year-on-year basis, while deposits recorded an increase, indicating mixed performance in credit and liquidity indicators.
- Profit After Tax of the banking sector significantly increased, attributed to a decline in new impairment allocation by banks, FCY denominated Government securities in particular, reflecting improved financial health.
- Efforts were made towards strengthening corporate governance frameworks to align with international best practices and enhanced transparency and accountability.

The Bank's performance compared to the Banking Sector

Table – 06

	2023			2022		
	Banking Sector (*) End September 2023	Commercial Bank 2023	Market share % Commercial Bank	Banking Sector (*) End 2022	Commercial Bank 2022	Market share % Commercial Bank
Assets and liabilities (Rs. Tn.)						
Gross loans and advances to other customers	10.768	1.266	11.76	11.313	1.220	10.78
Deposits	16.061	2.085	12.98	15.299	1.914	12.51
Total assets	19.836	2.580	13.01	19.417	2.426	12.49
Profitability (%)						
Return on Assets (ROA) - before tax	1.55	1.27		0.94	1.03	
Return on Equity (ROE)	11.24	9.78		10.39	12.46	
Net Interest Margin (NIM)	3.60	3.32		3.98	3.74	
Cost to income ratio (excluding taxes on financial services)	40.36	36.11		31.41	26.29	
CASA ratio	30.61	39.23		31.18	38.36	
Assets quality (%)						
Stage 3 loans(a) to total loans and advances(b)	13.41	11.34		11.61	9.41	
Net Stage 3 loans(c) to total loans and advances(b)	13.56	5.85		11.26	5.25	
Stage 3 impairment coverage ratio(d)	46.89	43.22		45.18	39.60	
Total impairment coverage ratio(e)	8.87	7.05		7.88	7.32	
Capital adequacy (%)						
Core capital (Tier 1 capital) adequacy ratio	13.544	11.442		13.144	11.389	
Total capital adequacy ratio	16.367	15.151		16.109	14.657	
Liquidity (%)						
Statutory liquid assets ratio (SLAR)						
Consolidated (Sri Lankan Operations)	45.40	46.06		29.85	35.88	
Credit to total deposits	67.04	60.70		73.94	63.71	

[(*) Banking Sector = Licensed Commercial Banks + Licensed Specialised Banks (Source: CBSL)]

Notes : (a) Excluding undrawn portion

(b) Total loans and advances including Stage 3 loans

(c) Net of Stage 3 impairment (including undrawn portion)

(d) The ratio of Stage 3 impairment to Stage 3 loans (including undrawn portion)

(e) The ratio of total impairment to Total Loans and advances

Looking ahead to 2024, the Sri Lankan banking sector aims to build upon the progress made in 2023 and address ongoing challenges while capitalising on emerging opportunities.

The outlook for 2024 includes:

- Implementation of the Roadmap for the Restructuring and Recapitalisation of Nine Large Banks to ensure strong and adequately capitalised institutions.
- Proposed amendments to the Banking Act to further strengthen the legal and regulatory framework of licensed banks.

- Establishment of Business Revival Units in licensed banks to support the recovery of businesses, particularly Small and Medium Enterprises (SMEs) and corporates.
- Encouragement of consolidation among small and mid-sized banks to enhance scale, efficiency and financial strength.
- Revision and enactment of a new Payment and Settlement Systems Act to facilitate the expansion of payment innovations and digital transactions.

The Sri Lankan banking sector is poised to navigate through uncertainties and challenges in 2024 with resilience and adaptability, driven by concerted efforts to strengthen regulatory frameworks, enhance corporate governance and foster financial stability and growth.

Challenges faced by banks

Challenges faced by banks in 2023

- Managing credit risk, fostering growth and maintaining financial stability in a gradually recovering economy that suffered significant downturns
- Adapting to an environment characterised by high inflation and transitioning to a Flexible Inflation Targeting (FIT) framework
- Managing excess liquidity resulting from subdued credit growth
- Navigating the implications of the country's sovereign debt restructuring and the impairment provisioning thereon
- Reforms and austerity measures and the resulting changes in monetary policy and fiscal measures
- Deterioration in asset quality requiring higher impairment charges
- Enhancing crisis preparedness and management frameworks
- Evolving regulatory requirements requiring investments in compliance infrastructure
- Changing customer behaviour, technological advancements and increasing competition from non-traditional financial services providers
- Protecting customer data and infrastructure from cyber threats
- Managing operating expenses amidst rupee depreciation, inflation and high taxes

Possible challenges and their impacts on banks in 2024

Challenges

Possible impacts on banks

Economic challenges

- Uncertain macro-economic conditions
- Growing loan book amidst subdued economic growth
- Supporting the navigation of fragile economic recovery
- Adapting to changes in monetary policy, interest rates in particular, which may affect borrowing and lending behaviour
- Strengthening resilience to adverse macro-financial developments
- Foreign currency debt restructuring

- Need to adapt banking strategies towards supporting economic recovery
- Increasing focus and resources dedicated to managing NPCFs
- More focus on supporting customers in financial distress
- Need to increasingly adapt, innovate and collaborate
- Difficulties in forecasting key metrics and sustaining strategies
- Complications on lending and investment strategies and balance sheet management
- Need for recapitalisation

Regulatory challenges

- Adapting to new legislation affecting banking operations and compliance therewith
- Maintaining the required capitalisation levels and liquidity ratios
- Plans to suspend debt recovery actions by banks
- Enhancing risk management practices and governance structures
- Unresolved taxation issue on the haircuts on FCY denominated Government Securities

- Loss of business opportunities
- Potential for further deterioration in asset quality
- Increase in impairment provisions
- Decline in profitability as a result of the above
- Stress on capital adequacy
- Impact on shareholder returns and potential investment opportunities of taxes paid under protest

Challenges faced by customers

- Low disposable income due to inflation and high taxation leading to low debt service capacity
- Less demand for products and services
- Postponing investment decisions and downsizing of businesses

- Increase in NPCFs
- Missed lending opportunities
- Excess liquidity being diverted to investments in Government Securities, further increasing the concentration risk

Other challenges

- Assessing creditworthiness and managing risks associated with lending, particularly in a recovering but still uncertain economic environment
- Navigate potential volatility in exchange rates and manage associated risks
- Promotion of Sustainable Finance by developing expertise and adapting lending practices
- Investing in technology upgrades and cybersecurity measures to ensure the smooth operation of digital payment systems and protect customers from fraud and scams.
- High levels of resignations among "millennials" and "Gen Zs" for migration
- Uncertainties in relation to political stability in a year of elections

- Need to tighten lending criteria to minimise increase in NPCFs
- Use of hedging strategies to mitigate potential losses due to currency fluctuations
- Investing in capacity building to further promote Sustainable Finance
- Loss of talent could affect service standards and operational efficiencies
- Adapting HR strategies to attract and retain younger talent
- Increasing cost of compliance
- Adapting strategies to shifts in government policies and fluctuations in market sentiment

Business model for sustainable value creation

Bank's sustainability framework

The Bank's Business Model, designed for Sustainable Value Creation, is rooted in its Sustainability Framework (Figure 10). This framework embodies a 3-pillar approach to sustainability, encompassing the Bank's enduring viability as well as its commitment to societal and environmental well-being. This integrated strategy intertwines the

Bank's sustainability as an ongoing enterprise with its responsibility towards the society and the environment.

The Bank has established a robust organisational structure led by the Executive Sustainability Committee which is supported by the Sustainability Working Committee with Board oversight to uphold ESG principles and

undertake sustainability initiatives to ensure alignment with regulatory standards and the Central Bank's Sustainable Finance Roadmap, as detailed later in this section. Additionally, the Bank promotes sustainability internally through distribution of educational materials and conducting workshops to cultivate a culture of responsible behaviour among staff.

Bank's Sustainability Framework

Figure – 10

Guiding Principles and Standards

- CBSL Roadmap for Sustainable Finance in Sri Lanka and CBSL Direction on Sustainable Finance Activities
- Sustainable Banking Principles of Sri Lanka Bank's Association
- United Nations Global Compact Principles
- UN Sustainable Development Goals (SDGs)
- GRI Standards – Issued by the Global Sustainability Standards Board (GSSB)
- Sustainability Accounting Standards for Commercial Banks – Sustainability Accounting Standards Board (SASB) of the IFRS Foundation
- Business Continuity Management
- International Standard – ISO 22301:2012
- IFC's 8 Performance Standards on Social and Environmental Sustainability
- ISO 14064-1:2018 Greenhouse gases
- IFC's Climate Assessment Tool for Financial Institutions
- UN-approved Environment Impact Index for financial transactions
- RoHS (Restriction of Hazardous Substances) Directive
- Energy Star™ Rating
- Payment Card Industry Data Security Standard (PCI-DSS) Certification

PURPOSE

To be a responsible financial services provider by enabling and empowering people, enterprises and communities towards environmentally-responsible, socially-inclusive and economically-enriching growth.



Memberships and Affiliations

- Sri Lanka Banks' Association Sustainable Banking Initiative – Core Group Member
- UN Global Compact Sri Lanka – Steering Committee
- Biodiversity Sri Lanka
- United Nations Development Programme
- International Finance Corporation
- Green Building Council of Sri Lanka
- UNGC Climate Ambition Accelerator Initiative
- Herpetological Foundation of Sri Lanka
- Wild Life and Ocean Resource Conservation (WORC) organisation of Sri Lanka
- Ceylon Bank Employees' Union (CBEU)
- Association of Commercial Bank Executives (ACBE)

Commitment to United Nations Sustainable Development Goals (SDGs)



Guidelines and Policies: SEMS Guidelines | Group Social and Environmental Policy | Green Financing Policy

Governing Committees: Executive Sustainable Committee | Sustainability Working Committee (SWC)

Commercial Bank unveiled evolved logo, fusing blue with green to embody its holistic commitment to sustainability



Commercial Bank proudly became the first corporate entity in Sri Lanka to introduce a green element to its corporate identity. It mirrors the Bank's strong commitment and the sincere dedication to sustainability, spanning diversity, social equity, inclusivity, good governance, transparency, accountability and eco-friendly financial solutions. This strategic initiative is expected to enhance the Bank's image and solidify its position as a forward-thinking institution dedicated to making a positive impact on Environment, Society and Governance (ESG).



With a strategic approach to sustainability across the three key pillars – Sustainable Banking, Responsible Organisation and Community Engagement – the Bank ensures holistic consideration of economic, social and environmental factors, fostering the best interests of all stakeholders at all times.

ESG and wider sustainability credentials

Demonstrating a strong commitment to ESG principles and wider sustainability initiatives, the Bank has established a robust organisational structure to guide, drive and oversee sustainability initiatives and compliance with regulatory standards. At the helm is the Executive Sustainability Committee, which convenes quarterly to ensure alignment with the Central Bank's Sustainable Finance Roadmap and other regulatory directives. This Committee oversees the implementation of sustainability principles throughout the Bank. Supporting this Committee is the Sustainability Working Committee (SWC), tasked with deliberating on and recommending sustainability initiatives. The SWC assesses proposed activities, evaluates their impact and identifies associated risks, ensuring alignment with broader sustainability objectives.

The Bank has accordingly integrated ESG considerations into its products, develops strategies for ESG risk management and discloses environmental and social impacts. It actively participates in international cooperation platforms, sharing knowledge and mobilising resources. The Bank's comprehensive reporting, aligned with Global Reporting Initiative (GRI) standards, showcases its contribution to the UN SDGs. It engages in initiatives such as mangrove replanting, planting 100,000 trees islandwide, reforestation and coral restoration, while promoting paperless banking and installing solar power at branches. The Bank's credit policy and lending guidelines emphasise responsible lending and minimising environmental risks. During the year, the Bank implemented a Board-approved Green Financing Policy. These efforts have earned the Bank numerous awards and recognition

for its ESG and sustainability credentials, which included Best Bank for Environmental, Social and Governance (ESG) Sri Lanka 2023 by Global Business Review Magazine, UAE and highly recommended – Best ESG Offering by Private Banker International Global Wealth Awards 2023, Singapore for Sustainable initiatives carbon neutral bank road map and paperless banking initiatives.

Additionally, internal communication efforts, facilitated through platforms like ComPulse, disseminate educational materials on responsible and sustainable behaviours to staff members. Workshops on 4R (Reduce, Reuse, Recycle and Recover) and Circular Economy concepts further enhance staff understanding and engagement with sustainability practices. Through these structures and initiatives, the Bank fosters a culture of sustainability within its operations.

Financial intermediation and maturity transformation

Leveraging the Bank's strengths for long term value creation, its resilient business model centers on two primary activities: financial intermediation and maturity transformation.

Financial intermediation involves acting as a bridge between stakeholders—especially depositors and borrowers—converting

deposits into investments and assets. Meanwhile, maturity transformation focuses on transforming short-term funds into long-term lending and investments. Effectively allocating financial resources for these activities is crucial for the country's overall economic growth.

These activities harness resources from various capital sources including Financial, Manufactured, Intellectual, Human, Social and Relationship and Natural capitals.

Figure 11 below depicts these six capitals, followed by a brief narrative of each.

Multi-capitals of the Bank

Figure - 11

The capitals are resources or assets that are affected or transformed by the activities and outputs of an organisation. The International <IR> Framework categorises them as financial, manufactured, intellectual, human, social and relationship and natural. These six categories encompass all the forms of capital an organisation uses or affects.

Refers to the monetary pool that is available to the Bank for the provision of its services. The Bank obtains financial capital – externally from shareholders, other investors, lenders and depositors and internally from profits retained.

Tangible, manufactured objects that the Bank depends on for carrying out its operations and include all forms of property, plant and equipment.

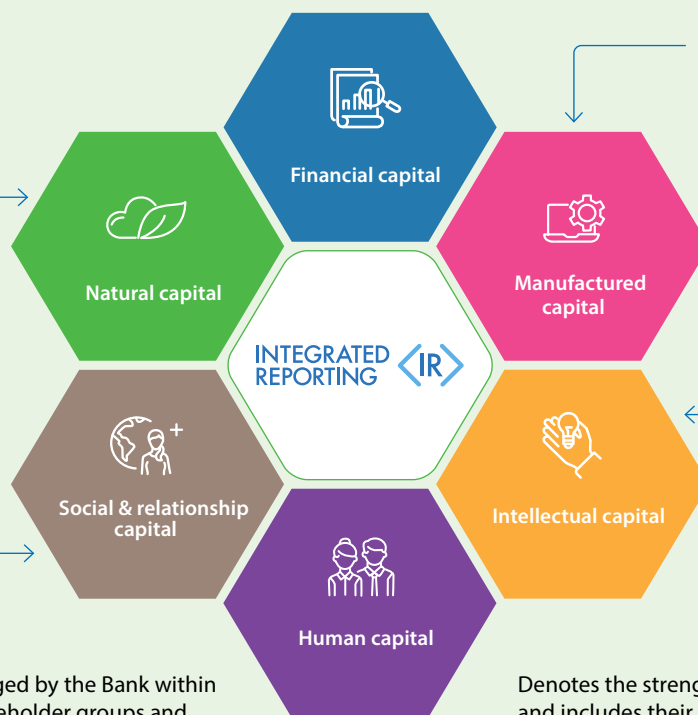
All forms of intangible capitals including the tacit knowledge base of over 5,000 staff members, brand name, brand equity, intellectual property such as software rights and licenses, systems, processes and procedures.

Denotes the strength of the Bank's staff cadre and includes their competencies, capabilities and experiences, as well as their drive to innovate. It also encompasses their alignment with the governance framework, risk management approach and ethical values, along with their loyalty and motivation to enhance existing processes and operations.

Comprises both renewable and non-renewable environmental resources and processes that enable the provision of goods or services vital for the past, present and future prosperity of the Bank and all its stakeholders. This encompasses air, water, land, minerals, forests, biodiversity and ecosystem health.

Considers the connections forged by the Bank within and among communities, stakeholder groups and networks, facilitating the exchange of information to improve their individual and collective welfare. It encompasses shared norms, values, behaviours and significant stakeholder relationships, as well as the Bank's social license to operate.

The Bank's Business Model given on pages 58 and 59 and the Statement of Capital Position given on pages 60 and 61 demonstrate how the Bank draws on these capital inputs and how its activities transform them into outputs.



These resources are then transformed into outputs, resulting in outcomes that benefit the stakeholders who contribute and own these capital inputs. One of the content elements in an integrated report as per the International Integrated Reporting Framework is the disclosure of the business model. Accordingly, given below is a narrative guide to the visual depiction of the Business Model (Figure 12 on pages 58 and 59) and the Statement of Capital Position (Table 07 on pages 60 and 61).

Stakeholders fuel the Bank's operations, providing essential resources termed as "capitals" within the Business Model (Figure 12 on pages 58 and 59). Beyond financial capital, these inputs encompass institutional knowledge, brand equity and robust stakeholder relationships often labeled as "off-balance sheet" or "hidden" capitals. These inputs are actively leveraged, capitalising on them to produce outputs key products and services and valuable outcomes for both the Bank and its stakeholders. This dynamic process, depicted in the Business Model, illustrates constant capital circulation and ongoing value creation, captured within this Integrated Report for the year 2023. The Statement of Capital Position provides a snapshot of the Bank's capital status, highlighting various indicators under each capital.

Statement of capital position

The Bank's actions in advancing financial intermediation and maturity transformation, along with the ensuing interactions among capitals, fortify these capitals and reflect the year's value creation, evident in the Bank's Statement of Capital Position at the start and the end of 2023 (Table 07 on pages 60 and 61).

Two primary income streams – net interest income from fund-based operations and fee and commission income from fee-based operations – boost the Bank's financial capital. The process of delivering value to and deriving value from various stakeholders also elevates other capitals. In fund-based operations, money is mobilised from depositors and other external sources

for lending and investment, generating interest income and costs. The resultant net interest income compensates the Bank for credit, funding and interest rate risks. The Bank generated 70.36% of its total operating income from net interest income in 2023 (2022 – 61.51%). Fee-based operations, encompassing all other services provided by the Bank, generated the remaining 29.64% of the total operating income (2022 – 38.49%). Showcasing efficient financial intermediation, the Bank grew its deposit base by 8.92%, the lending portfolio by 3.76% and fee and commission income by 16.65% during the year under review.

Gearing

Financial intermediation and maturity transformation distinguish the Bank's business model from typical corporations. As a commercial bank relying mostly on customer deposits for funding, the Bank employs gearing to compensate for the comparatively lower Return on Assets (ROA) and meet acceptable Return on Equity (ROE) targets for investors. Gearing involves expanding business scope by increasing deposits, securing additional funding and leveraging these resources through lending or investments to amplify the loan book and investment portfolios based on existing capital.

This strategy, fundamental in banking, enables handling business volumes nearly 10 times greater than available equity, primarily fueled by the ability to mobilise deposits from the public. However, gearing poses multiple internal and external risks, accentuated by emerging global shifts potentially disrupting this model. The Bank, as outlined in this Annual Report, has established robust risk governance and management frameworks, overseen by the Board, effectively navigating and mitigating such risks.

For an in-depth understanding of the Bank's capital, risk-weighted assets and Capital Adequacy Ratios, refer to Annex 2 Basel III – Disclosures under Pillar III as per the Banking Act Direction No. 1 of 2016 on pages 451 to 463.

Stakeholder returns

As illustrated in Table 07 on pages 60 and 61 within the Statement of Capital Position, the Bank has consistently enhanced profitability while prudently managing gearing levels. This profitability mirrors the net impact of value creation for stakeholders-reflecting in investor returns through earnings, dividends and share price appreciation. Ending 2023 with the highest market capitalisation among banking institutions and ninth among all CSE-listed companies, the Bank's Investor Relations section details its shares' performance.

As an established regional bank, the Bank is actively seeking opportunities for inorganic growth and regional expansion, while aiming for organic growth in Sri Lanka, Bangladesh, the Maldives and Myanmar. The exclusive long-term bancassurance partnership the Bank entered into with AIA during the year, which will enable the Bank to draw on AIA's best in class capabilities and AIA to leverage the Bank's meaningful connections with the local communities is a case in point. Such strategic moves aim to diversify risk exposure and revenue streams, strengthening operational sustainability and long-term value creation.

Business model

INPUTS

"Raw materials" for the value driver activities drawn from capitals. Please refer page 60 of the Statement of Capital Position for the opening capital position as at January 01, 2023 of different capitals built by the Bank over the past 104 years.



Financial capital

- Shareholders' funds
- Borrowed funds
- Financial covenants
- Customer deposits
- Subordinated debt



Manufactured capital

- Property, plant and equipment
- Investments in process improvements
- Information and Communication Technology
- Public goods



Intellectual capital

- Brand loyalty
- Institutionalised knowledge
- Best practices
- Data analytics
- Trained employees
- Awards and accolades



Human capital

- Skills and experience
- Competencies
- Creativity
- Committed and loyal employees
- Healthy workforce
- Equal opportunities



Social & relationship capital

- Services and supplies
- Relationships
- Assurance services
- Collaborations and alliances
- Customers
- Contribution to the Bank's CSR Trust



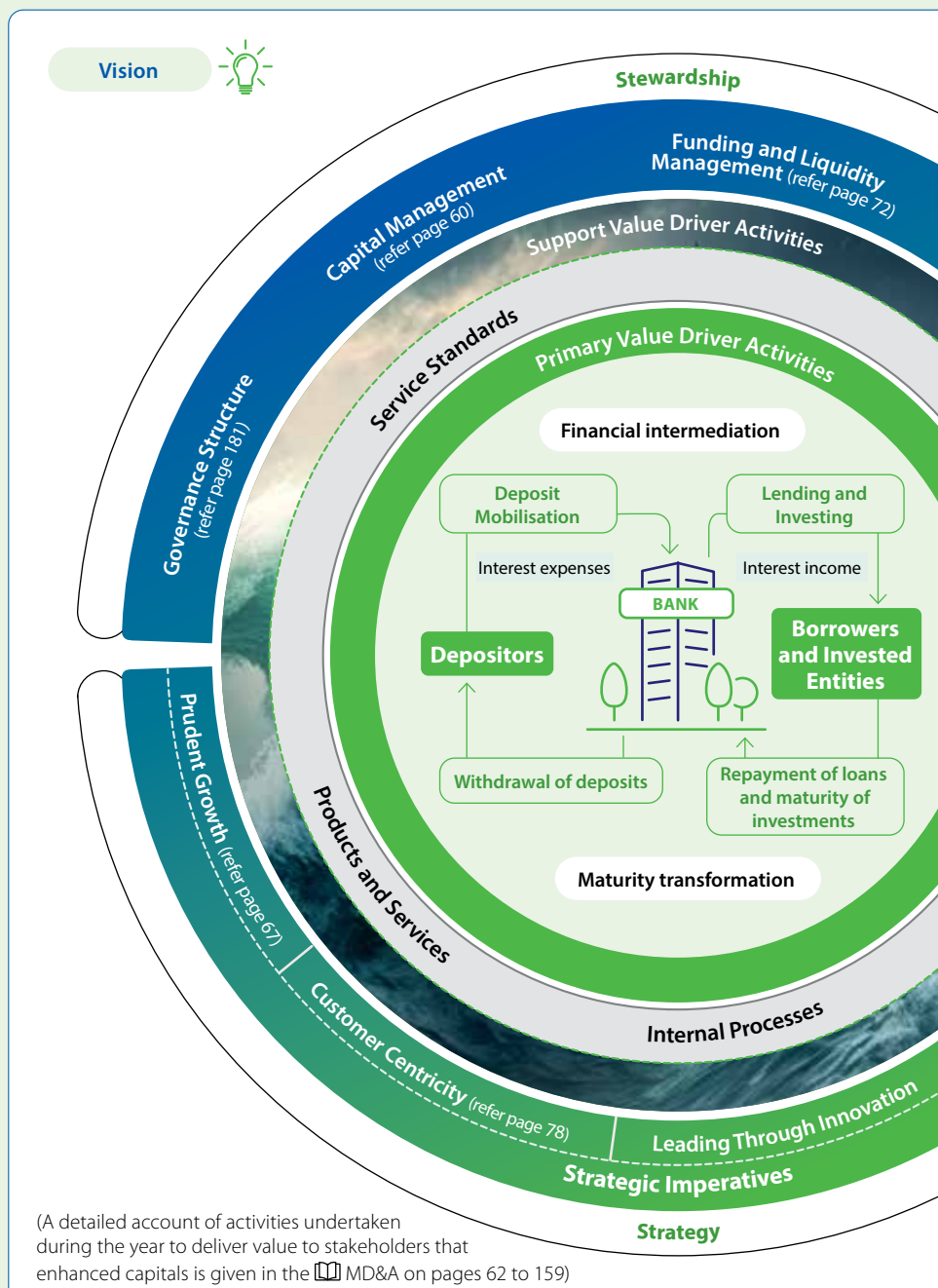
Natural capital

- Utilities
- Refinance funding for solar/digitisation projects
- Social and Environmental Management System (SEMS)



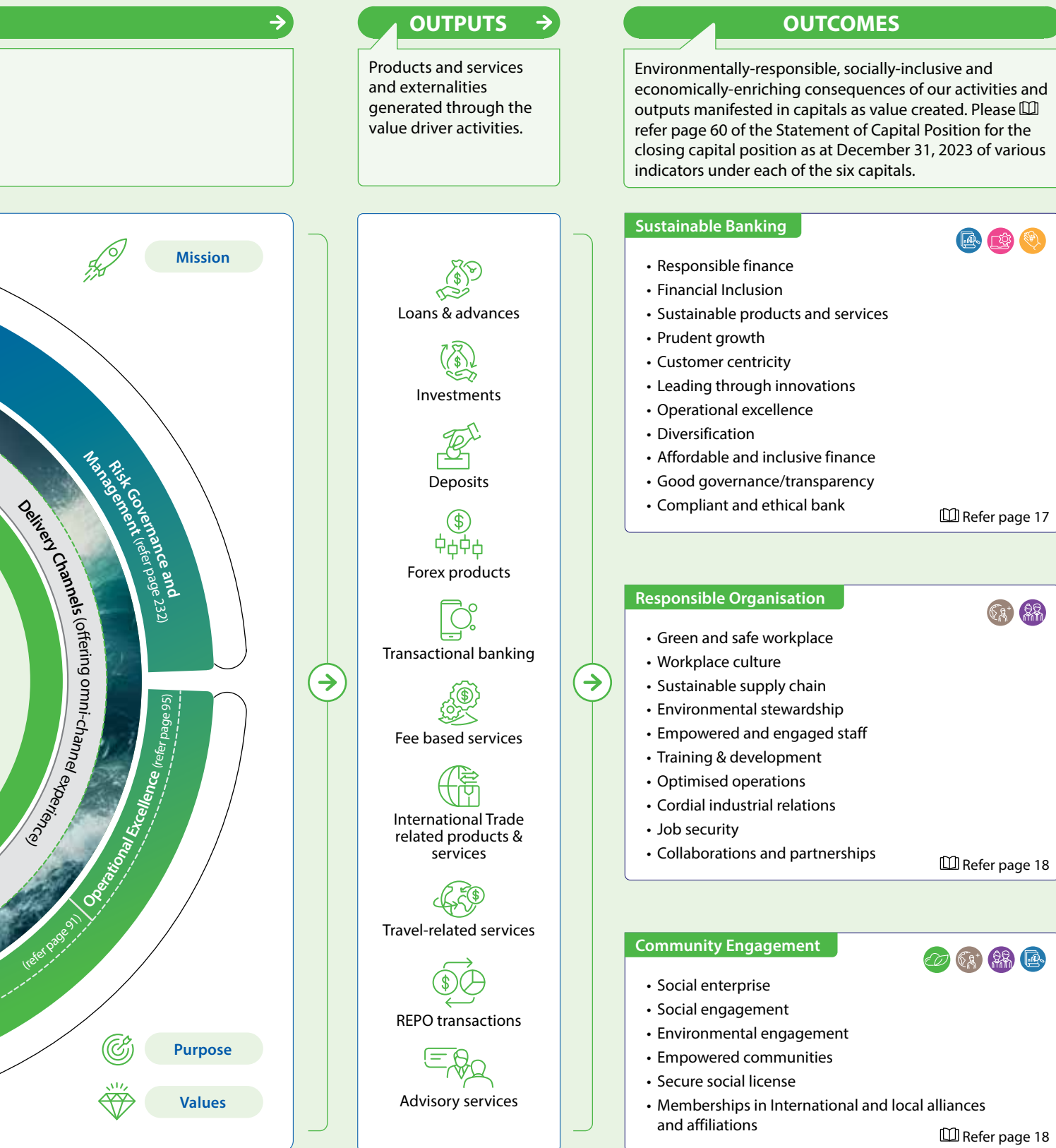
VALUE DRIVER ACTIVITIES

Include primary, support and other value driver activities that promoted growth, positive stakeholder interactions and minimise risk. It is the inputs from the capitals together with relationships, interactions, interdependencies and trade-offs among capitals that generated outputs, leading to creation of value reflected in capitals.



Operating Environment that provides context for value creation (Refer pages 38 to 53)

Figure – 12



Statement of capital position

Financial capital



Indicator of value derived	Value derived as at January 01, 2023	Activities undertaken to create Financial Capital (*)	Value derived as at December 31, 2023	Growth in value created
Total Equity (Rs. Bn.)	203.699	Grew the business volumes prudently through robust and efficient financial intermediation and maturity transformation, thereby strengthening the leadership position	214.931	5.51%
Deposits from customers (Rs. Bn.)	1,914.359		2,085.046	8.92%
Borrowings (Rs. Bn.)	240.408		207.712	(13.60%)
CASA Base (Rs. Bn.)	734.315		818.008	11.40%
Market capitalisation (Rs. Bn.)	61.591		124.327	101.86%
Market share in total assets (%)	12.49		13.01	52bps
Growth in total assets (%)	24.45		6.37	(18.08)
Growth in gross income (%)	71.20		21.90	(49.30)
Net interest margin (%)	3.74		3.32	(42 bps)
Return on Assets (before tax) (%)	1.03		1.27	24 bps
Return on average-shareholders' funds (%)	12.46		9.78	(268 bps)

Manufactured capital

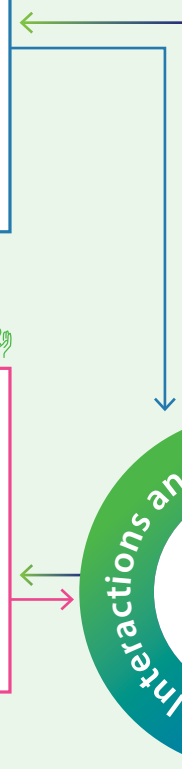


Indicator of value derived	Value derived as at January 01, 2023	Activities undertaken to create Manufactured Capital (*)	Value derived as at December 31, 2023	Growth in value created
Number of branches	289	- Maintained profitable mix of owned and rented buildings - Multiple delivery channels - Conducted cost-efficient transport arrangements - Improved procurement services	291	2
Number of ATMs and CRMs	934		949	15
Freehold land and building (Rs. Mn.)	14,763		16,069	8.85%
Investment in capital expenditure (Rs. Mn.)	3,144.592		2,576.818	(18.06%)
Total operating Income per Branch (Rs. Mn.)	459.822		405.875	(11.73%)
Profit per branch (Rs. Mn.)	79.480		70.313	(11.53%)

Intellectual capital



Indicator of value derived	Value derived as at January 01, 2023	Activities undertaken to create Intellectual Capital (*)	Value derived as at December 31, 2023	Growth in value created
Brand Equity (Rs. Bn.)	46.700	- Invested in centralisation - Improved processes and procedures - Developed new products and services - Expanded network, conducted research and development - Deepened technological expertise - Supported knowledge sharing initiatives	43.600	(6.64%)
Brand Rating	AAA		AAA	Maintained the same position
Top 10 Most Valuable Brands in Sri Lanka	Ranking 3		Ranking 3	Maintained the same position
Value of intangible assets (Rs. Bn.)	3.563		3.737	4.87%
Compliance and Certifications of ISO 20000/PCI-DSS/ISO 27001	Complied		Complied	Complied
Number of Employees serving for > 20 years	854		1,041	187
Combank Digital customer base	Over 800,000		Over 1.1 Mn.	46.2%



(*) Please refer Management Discussion and Analysis for details of the activities undertaken.

Table – 07

 Human capital

Indicator of value derived	Value derived as at January 01, 2023	Activities undertaken to create Human Capital (*)	Value derived as at December 31, 2023	Growth in value created
Number of employees	5,121	- Improved quality of new recruits - Conducted employee surveys - Invested in training & development - Enriched career development - Re-enforced performance management and appraisals	5,201	80
Number of new recruits	369		589	220
Retention ratio (%)	94.82		83.33	(1,149 bps)
Return to work from maternity (%)	100		97	(300 bps)
Profit per employee (Rs. Mn.)	4.485		3.934	(12.29%)
Total training hours	151,448		180,313	28,865
E-learning hours	1,319		4,546	3,227
Training cost per employee (Rs. 000's)	12.766		17.039	33.47%
Staff welfare cost per employee (Rs. Mn.)	0.100		0.109	8.96%


 Social and relationship capital

Indicator of value derived	Value derived as at January 01, 2023	Activities undertaken to create Social and Relationship Capital (*)	Value derived as at December 31, 2023	Growth in value created
Government taxes (Rs. Bn.)	8.844	- Promoted financial inclusion - Co-created products and services - Collaborated with business partners - Improved capacity of SMEs - Expanded Bank's footprint - Supported the community	16.575	87.42%
CSR Trust investment in society (Rs. Mn.)	922		1,083	17.46%
Number of IT Labs established in schools	280		334	54
Number of STEM Classrooms established in schools	140		170	30
Cumulative number of MSME participants in financial literacy programmes conducted by the Bank	12,699		14,907	2,208
Number of members in ComBank BIZ Club	5,243		5,678	435
Cumulative number of participants in capacity-building programmes for women entrepreneurs	425		567	142


 Natural capital

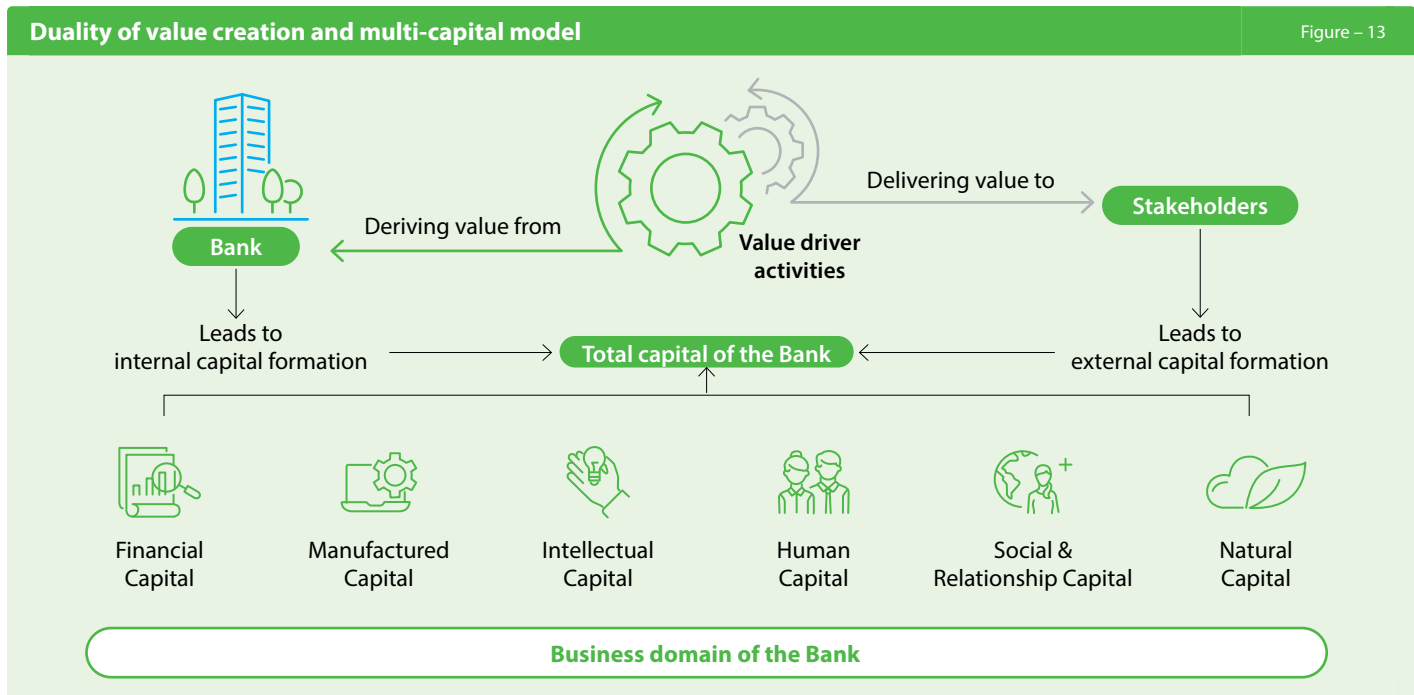
Indicator of value derived	Value derived as at January 01, 2023	Activities undertaken to create Natural Capital (*)	Value derived as at December 31, 2023	Growth in value created
Utility power (CEB/LECO) consumption (GJ)	38,416	- Screened loans through SEMS - Promoted paper reduction and recycling - Increased usage of renewable energy - Switched to energy-efficient appliances - Adopted a Green Financing Policy	46,972	22.27%
Number of Solar panel installation locations	71		82	11
Solar power generated as a % of energy consumption	15.09%		16.09%	100 bps
Cumulative number of facilities subjected to SEMS screening	11,792		11,925	133
Green finance portfolio (Rs. Bn.)	16.476		17.760	7.79%
Contribution of Green Finance portfolio for reduction of CO ₂ emissions to the atmosphere (CO ₂ Tonnes)	229,752		233,918	1.81%
Reduction in paper usage (Number of A4 Bundles) in 2022 and 2023	51,500		27,000	-
Paper recycled (Kgs) in 2022 and 2023	189,800		286,240	-

Interconnectivities

Management discussion and analysis

Value creation and capital formation

Value creation and capital formation are integral aspects of any organisation's growth and success. In today's dynamic business landscape, organisations need to go beyond financial value and consider a broader range of capitals to drive sustainable growth. This integrated report showcases the value the Bank has created for its stakeholders, evident in various types of capital described here and the Bank's consistent ability to derive value from these capitals in the short, medium and long term.



Multi-capital model

Utilising a “multi-capital” model is a fundamental principle of Integrated Reporting, allowing us to comprehensively understand and disclose the diverse facets of value creation, transcending beyond mere financial gains. This interconnectedness underscores the significance of delivering value – both financial and non-financial – to investors, customers, employees, partners, regulators, society and the environment, which in turn drives our future earnings and intrinsic value. This holistic approach and the underlying duality of value creation, i.e. delivering value to and deriving value from various stakeholders, is epitomised by the multi-capital model, which acknowledges different forms of capital, including financial, manufactured, intellectual, human, social and relationship and natural capital.

The interconnectedness of these capitals is paramount, as the Bank's ability to generate value for stakeholders and for itself is intricately linked. The greater the value the Bank generates for its stakeholders, the greater the value the Bank can expect in return. By embracing a broader perspective of value creation beyond financial metrics, the Bank has been able to capture a more comprehensive range of information and enhance its disclosures relating to the value creation process.

Strategic imperatives and capital formation

To drive value creation over the short, medium and long term, the Bank needs to focus on its strategic imperatives. These imperatives serve as guiding principles for sustainable growth and include prudent growth, customer centricity, leading through innovation and operational excellence.

- Prudent growth involves astute business expansion with a long-term perspective, ensuring sustainable value creation.
- Customer centricity emphasises enhancing the quality of stakeholder interactions and experiences, leading to increased value for both the Bank and its customers.
- Leading through innovation encourages the Bank to continuously innovate and improve, driving value creation through new products, services and processes.
- Operational excellence focuses on enhancing operational efficiencies to improve productivity and customer service, leading to value creation.

Capital formation is a result of strategic actions undertaken by the Bank to grow its stock of capitals and create value. These actions, often referred to as value driver activities, contribute to the growth of financial, manufactured, intellectual, human, social and relationship and natural capitals.

The Management Discussion and Analysis (pages 62 to 159) structured on our Sustainability Framework and strategic imperatives, depicts how we steer strategic actions to grow our capitals and create value.

The Statement of Capital Position (Table 07 on page 60 and 61) reflects the value amassed over 104 years as a result of these actions and the relationships they foster, fueling our future expansion and value generation, distinguishing us among private sector banks.

Table 03 on page 40 and 41 highlights the structured mechanisms of the Bank for stakeholder engagement process and how it aids in adapting to challenges, fortifying our business model, fostering innovation and guiding strategic planning.

Sustainability and long-term value creation

The Bank always focuses on long-term sustainability and value creation. By aligning its actions with Sustainable Development Goals (SDGs) and adhering to guiding principles, the Bank contributes to a more sustainable future while creating value.

Furthermore, the Bank strives to diversify its risk exposures and revenue streams geographically. This expansion, both organic and inorganic, helps improve the sustainability and long-term value creation of its operations. By constantly seeking opportunities for growth and innovation, the Bank has been able to ensure its continued success and value creation and make a positive impact on the world.

Strategic imperatives and actions



Prudent growth

Growing the business astutely with a long-term perspective

Short-term

- Maintaining capital buffers and optimum liquidity to remain well capitalised and liquid in support of sustaining the Bank's growth trajectory
- Increasing penetration among multiple customer segments, towards making banking a lifestyle product
- Encouraging sustainable growth in SMEs and related communities, through creation of ecosystems
- Making responsible investments by financing Green Banking projects and employing the Social and Environmental Management System to assess sustainability in all lending activities
- Focus growth in women banking to increase financial inclusivity

Medium-term

- Creation of ecosystems to support customer communities for continuous sustainable growth
- Strengthening risk governance and management to enhance asset quality
- Further diversification of the portfolio by customer, product, sector, currency and geography

Long-term

- Focus on creating long-term value for all our stakeholders
- Focus on making banking a lifestyle by integrating it into our customers' lifecycle
- Strengthening our proposition as a financial intermediary, supported via an omni-channel platform

Customer centricity

Providing the experience, simplicity and convenience that customers value most today

Short-term

- Understanding customer expectations to build our capabilities in service excellence around customer journeys
- Revisiting and enhancing customer journeys to provide convenience and creating customer loyalty
- Connecting customers through multiple platforms facilitating simplicity and convenience, a step towards integrating banking as a lifestyle
- Partnering businesses ecosystems to provide innovative solutions to support and grow the Corporate customer base
- Providing greater opportunities for growth to our SME customers through networking and capacity building, augmenting the SME value proposition
- Providing greater opportunities for financial inclusion for our micro customers through responsible lending
- Implementing a customer experience measurement platform to gather customer feedback and obtain insights on their interactions with the Bank to identify improvements required
- Enabling host-to-host (H2H) connectivity for corporate customers enabling them to connect their ERP systems to the Bank

Medium-term

- Supporting the community by investing in innovative solutions for the well-being of both existing and potential customers
- Enhancing technology to support our efforts in continuous customer engagements and enduring partnerships

Long-term

- Creating a culture centered around customer experience
- Establishing a governance framework to measure and monitor customer experience

Capitals in which the outcome is reflected



Financial capital



Manufactured capital



Intellectual capital



Human capital



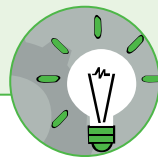
Social & relationship capital



Natural capital

Leading through innovation

Innovating to enhance the quality of stakeholder interactions and experience



Short-term

- Bolster the technological infrastructure and digital capabilities guided by a unified technology roadmap
- Creating complete digital banking platforms integrated with all system networks and eco-systems to provide a one-stop-shop experience for customers across all segments
- Increasing the proportion of digital usage by facilitating and encouraging digital transactions and interactions
- Segmenting customers through data analytics to identify and serve unique banking needs and deliver personalised user experiences
- Redesigning conventional banking processes as digital processes to create end-to-end digital solutions
- Investing in cyber security to create a safe space for the Bank's digitalisation initiatives

Medium-term

- Fortifying digital leadership by leveraging platforms and technologies to align with changing customer aspirations
- Investing in creating a seamless customer journey through integration of multiple platforms and syncing the physical and digital experience

Long-term

- Optimising the Bank's branch network together with the Digital Transformation
- Standardising the services offered across the network

Operational excellence

Enhancing operational efficiencies for better productivity and customer service



Short-term

- Facilitating customer connect and service excellence through technology and process improvements
- Centralising work processes to enable branches concentrate more on business development and managing customer relationships
- Re-engineering business processes by deploying technological and automation for meeting changing business needs and service standards
- Optimising resources by maintaining an optimum mix of CAPEX and OPEX models
- Investing in employees to better align them with the changing needs and to improve productivity
- Implementation of a CRM system with added functionalities for tracking sales from end to end

Medium-term

- Safeguarding the environment by continuously reducing our carbon footprint to contribute to the fight against climate change
- Evaluating core and non-core banking activities for insourcing
- Development of a comprehensive climate transition plan

Long-term

- Invest in creating the right technological architecture to support the Bank's Digital journey
- Optimising the branch model amidst our digitalisation efforts
- Achieving "Net Zero" status by the year 2050

Sustainable banking – Value creation

In the pursuit of sustainable banking practices, the Commercial Bank of Ceylon PLC has embraced a strategic framework that focuses on value creation through **prudent growth, customer centricity, leading through innovation** and **operational excellence**.

These four pillars form the foundation of the Bank's commitment to delivering long-term value for its stakeholders while addressing the challenges and opportunities of an ever-evolving banking landscape. By leveraging its strengths, understanding customer expectations, fostering innovation, financial inclusion and ensuring operational efficiency, the Bank aims to create a positive impact on the society, the environment and the economy. This introduction sets the stage for a comprehensive exploration of how the Bank's sustainable banking practices drive value creation and contribute to its overall success.

Throughout the year, the Bank maintained a vigilant stance, prudently navigating the risks inherent in its business model for responsible financing. This cautious approach was deliberate, aiming for responsible value creation across its diverse stakeholder base. Particularly within its lending portfolio, consistently exposed to elevated risks, the Bank proactively adjusted its risk management strategies. This recalibration

aimed to mitigate risks and infuse greater prudence into the Bank's multifaceted approaches, ensuring continued relevance and timeliness. Although the Sri Lankan economy showed signs of stabilisation in 2023 with pivotal reforms introduced, the uncertainty of the economic performance continued to burden the Bank's operating environment. The above realities required recognition to manage the risk-elevated landscapes with prudent planning, driving reciprocals of mutual growth.

In a climate fraught with risks, the Bank's imperative is to remain a steady and accountable force, ensuring stakeholders find empowerment through the Bank's ongoing commitment as the cornerstone of their financial aspirations. Partnerships for the Bank encompass various relationships, spanning investors, customers, employees, government institutions and regulators, business partners and the society and the environment - essential stakeholders forming an interconnected network relying on each other for their prosperity and sustenance. The Bank's core mission remains centered on providing responsible financial products, leveraging strengths and deriving insights from daily encounters to bolster the financial well-being of all involved stakeholders.

Sustainable banking

Figure – 14



Prudent growth

Growing the business astutely with a long-term perspective

In the dynamic landscape of banking, prudent growth demands a delicate balance: leveraging strengths, capitalising on select opportunities, risk management and mitigating the impact of threats. The year under review had its share of the challenges, mostly flowing from the immediately preceding year(s), as detailed in Operating Context and Outlook on pages 48 to 53. Sovereign rating downgrade, managing NPCF and loan book expansion stood out as key challenges.

Nevertheless, as the leading private sector bank in Sri Lanka, serving over four million customers, Commercial Bank remained committed to meticulous governance and robust capitalisation. Prudent Growth, ensuring stakeholder value creation across short, medium and long term, remained central, with a continued focus on operational agility, innovation, workforce evolution, risk management and exemplary governance for driving growth.

Safeguarding stakeholders against internal and external stresses is integral to prudent growth. The following narrative highlights how the banking ecosystem navigated this growth, emphasising holistic sustainability as a guiding principle amid disruptive times. Prudent growth extends beyond the broader vision, encapsulating the meticulous details in the Bank's operations to ensure stakeholder protection. This methodical approach establishes a benchmark for the Bank's functioning, emphasising safety and sustainability as core strengths amid times of disruption.

Furthermore, the Bank remained committed to being well-capitalised and liquid, adhering to sound capital and liquidity requirements. This commitment not only strengthened the Bank's financial position but also enhanced its ability to withstand economic shocks and uncertainties.

Adopting a well-diversified approach, the Bank minimised concentration risks across various parameters, including geography, customers, products, sectors and currencies. This strategic action further contributed to the Bank's long-term viability by reducing vulnerabilities to specific market conditions or events.

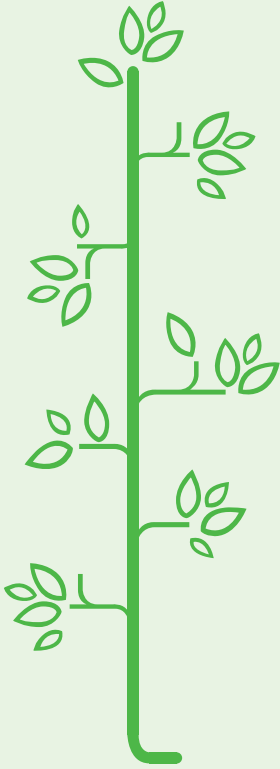
Creating long-term value

The Bank is poised to confront the hurdles facing the banking sector and contribute

to the economic stability. Commercial Bank is renowned for its commitment to sustainable value generation for all involved. With a robust local presence and a regional influence, it holds substantial financial leverage, impacting various domains and engaging diverse stakeholders. The Bank's cautious approach to risk has been a cornerstone of stability, earning the trust of a strong base of stakeholders who rely on its diverse range of financial offerings to create value.

Our commitment to prudent growth

Figure – 15

- 
- Diversification of operations
 - Prudent Capital Management
 - Liquidity Management
 - Optimising financial resources
 - Prudent impairment provisioning
 - Leveraging data analytics and predictive capabilities
 - Robust Governance and Risk Management framework
 - Compliance with laws and regulations (both in letter and in spirit)
 - Products and services to cater to the green financing activities
 - Social and Environmental Management System (SEMS)
 - First private sector bank to venture overseas
 - First private sector bank to cross Rs. 2.5 Tn. in assets and Rs. 2.0 Tn. deposits
 - Comfortable level of liquidity
 - Highest market capitalisation in the Banking sector
 - Impaired Loans (Stage 3) Ratio 5.85%
 - Stage 3 provision coverage at 43.22%
 - Recognising growth opportunities
 - Conservative risk profile
 - Transparency in reporting and disclosures
 - 1st Sri Lankan Bank to have a Green Financing Taxonomy
 - 1st Bank to introduce SEMS

The Bank's robust market share in exports, successful worker remittances business, industry best CASA ratio and well-established overseas operations, particularly in Bangladesh and the Maldives, have fortified its resilience. Its sterling reputation both internationally and domestically expedites its operations across borders. Moreover, its comprehensive governance and risk management frameworks ensure comprehensive coverage and readiness to manage risks and seize opportunities, driving sustainable financial performance. The loyalty of its multi-generational customer base positions the Bank as a leader across retail, corporate and SME banking segments, fostering a responsible approach to managing its loans and advances portfolio. With a dynamic and highly skilled team, the Bank is primed to tackle challenges and foster enduring relationships, offering practical solutions to its customers' needs.

In 2023, despite the significant appreciation of the Sri Lankan Rupee by 13.18% during the year, the Bank witnessed a 8.92% increase in its deposit base to Rs. 2.085 Tn. and a CASA ratio of 39.23% while its gross loans and advances grew by 3.76% to Rs. 1.266 Tn. by year-end.

Growth in the deposit base and the lending portfolio over the past decade

Table – 08

	2023 Rs. Tn.	2013 Rs. Tn.	10-year CAGR (%)
Deposit base	2.085	0.451	16.54
Gross loans and advances	1.266	0.435	11.27

A diversified Bank

Diversification was evident in regional geography, customer profile, banking channels, products and services repertoire and the currency mix of the Bank, among other factors. This commitment to diversification serves as a risk management tool allowing us to navigate volatile market conditions and remain agile in an ever-changing financial landscape. The Bank's diversity can be highlighted by the following parameters.

- Geographically: The Bank operates in Sri Lanka, Bangladesh, The Maldives, Myanmar and has placed several Business Promotion Offices (BPOs) across the Middle East and Korea (Refer Figure 03 on page 12)
- Customer Profile (Refer customer segmentation – Table 09 on page 78)
- Diverse Banking Channels (Refer Refer channel mix – Table 10 on page 78)
- Products portfolio (Refer Notes 33.1 (a) on page 327 and 45.1 (a) on page 357)
- Currency-wise Product Mix (Refer Notes 33.1 (b) on page 327 and 45.1 (b) on page 358)
- Varied Funding channels (Refer Graph 05 on page 70 and funding diversification by product refer Graph 06 on page 70)
- Maturity Profile (Refer Note 60 to the Financial Statements on pages 380 and 381)
- Economic Sectors (Refer Note 33.1 (c) to the Financial Statements on page 328)
- Sources of Revenue (Refer Notes 13.1 and 14.1 to the Financial Statements on pages 302 and 304)

Staying well capitalised

The Bank's sustainability relies heavily on a sturdy capital base, acting as a safeguard against unforeseen losses and as a regulatory check on unjustified asset expansion. A key driver of the Bank's success is its dependable shareholder base, which consistently provides additional capital when needed. Securing capital is crucial for banks to establish, sustain and grow their operations. Tightened regulatory requirements and stricter reporting standards have been imposed to ensure adequate capitalisation, benefitting various stakeholders, particularly depositors.

Despite the lacklustre growth in loans and advances and hence, limited growth in risk weighted assets during the year, substantial impairment provisions made on investments in Sri Lanka Sovereign Bonds denominated in US Dollar exerted pressure on capital of the Bank. Raising capital remained challenging, particularly during the early part of the year under review. Nevertheless, the Bank raised Rs. 12 Bn. at rates varying from 13.50% to 15.00% for tenures of 5 years, 7 years and 10 years in Tier II capital in December 2023 to meet the capital requirements arising from credit growth in the fourth quarter and to create leeway for leveraging envisaged credit growth in the ensuing year.

To evaluate its capital needs, the Bank employs the Internal Capital Adequacy Assessment Process (ICAAP), annual strategic planning exercises and Risk-Adjusted Return on Capital (RAROC). It also practices prudent capital allocation, controlled growth in risk-weighted assets, expansion of fee-based services, timely asset and liability pricing and maintains a diversified portfolio of products and services. Through these practices, the Bank consistently maintains its capital adequacy ratios at required levels.

We are also of the view that in the absence of further significant increase in the impairment provisions moving forward and the stabilisation of the Sri Lankan economy, retained earnings could provide reasonable comfort to the Tier 1 capital. However, if the credit demand is going to be at a significant level, the conversion of zero risk weighted assets to risk weighted assets can exert some pressure on the Tier 1.

Optimising financial resources

Criticality of prudent asset and liability management, strong risk oversight, sustainable growth in assets and liabilities, regular stress testing and establishing essential buffers for unforeseen future challenges to ensure stability and prudent expansion cannot be overemphasised.

Serving as the Bank's balance sheet manager, the Treasury Division plays a pivotal role in shaping the Bank's financial well-being. In addition to optimising financial assets and proficiently handling financial risks, the Treasury's strategic significance in bolstering operations has been heightened to facilitate the Bank's attainment of prudent expansion.

The unprecedented economic challenges, mostly flowing from immediately preceding years, including elevated interest rates, inflation, devaluation of the Sri Lankan Rupee, sovereign rating downgrade, sovereign debt default, unsustainable sovereign debt levels and contraction of economic growth have presented formidable challenges that resonate deeply within the Banking sector. Nevertheless, rigorous risk management practices, prudent investment decisions and a proactive stance in the face of uncertainties have been instrumental in steering the Bank through the dynamic and evolving economic landscape and maintaining the financial resilience.

The specific challenges arising from sovereign debt restructuring and domestic debt optimisation initiatives have been met with adaptability and strategic foresight. The Treasury Division has diligently managed its position amidst evolving debt dynamics, ensuring that the impact on the Bank is thoroughly assessed and mitigated. In anticipation of possible haircuts initiated by the government, the Treasury Division has prudently taken action to create provisions for potential reductions in the value of sovereign bonds. Recognising the dynamic nature of economic conditions, the division has assessed and adapted its strategies to meet possible haircuts while ensuring the Bank's financial health remains robust. The Treasury Division acknowledges that the ramifications of sovereign debt restructuring will continue to unfold, but it remains agile and ready to meet the challenges with resilience and strategic acumen.

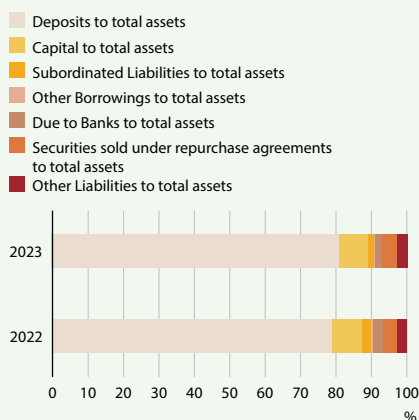
Regulatory developments, fiscal and monetary policy shifts and unorthodox competition from Primary Dealer and FinTech firms, digital transformation and emerging customer needs are anticipated factors that may reshape the financial landscape. The ongoing commitment to sustainability is another factor that will influence the Treasury Division's operations. Collaborative efforts in co-creation, enhancing user experience and embracing a digital culture are integral components of the division's strategy. As the Banking industry witnesses transformative shifts, the Treasury Division is well-prepared to meet these changes head-on, focusing on innovation, efficient digitalisation and strategic collaborations to create enduring value. A noteworthy milestone in the adoption of advanced technology is the introduction of a state-of-the-art treasury software system, developed in collaboration with the esteemed international software service provider, Quantum. This innovative solution, currently undergoing rigorous testing, signifies a critical leap forward in enhancing efficiency and responsiveness. Similarly, the implementation of the Treasury FX Portal, a real-time rate request web interface, has proven instrumental in reducing turnaround times for FX rate requisitions.

To navigate this challenging landscape, the Treasury implemented such initiatives as adopting a focused approach to win over new clients, restructured the FIS portfolio and placed under active portfolio management, targeted remittances from identified key markets, talent acquisition and development to improve client services, engaging in derivative transactions and organised client awareness sessions. Efforts were made to strengthen client relationships by enhancing the client value proposition, offering structured solutions and assigning dedicated Treasury Relationship Managers. Looking ahead, plans involve launch of the new treasury system, developing research and analytical capabilities, positioning the balance sheet to sustain market shocks, customised FX portal for augmenting customer experience, broad basing the skills set and exploring opportunities for diversification in terms of business, products and location such as targeting to cater to white-collar professionals by offering them investment opportunities, encompassing instruments like government securities, stock market investments and real estate ventures.

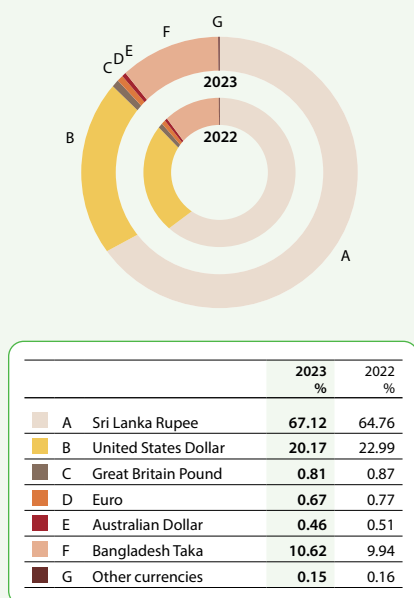
DIVERSIFICATION

SOURCES OF FUNDS

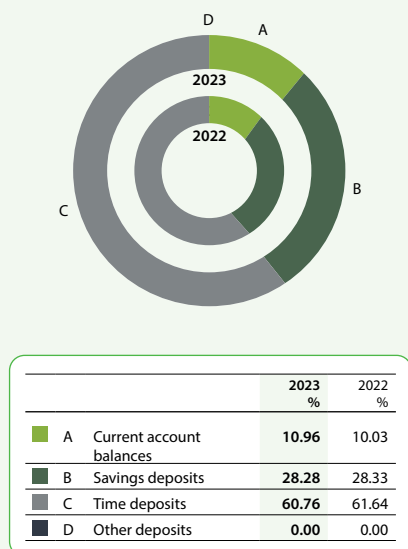
Graph – 05: Funding structure as at December 31, 2023



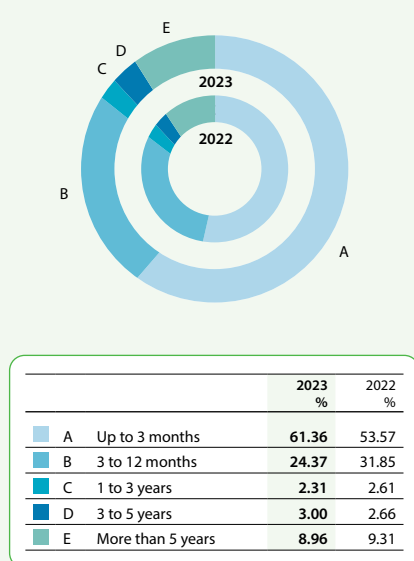
Graph – 07: Deposit mix by currency



Graph – 06: Deposit mix by product

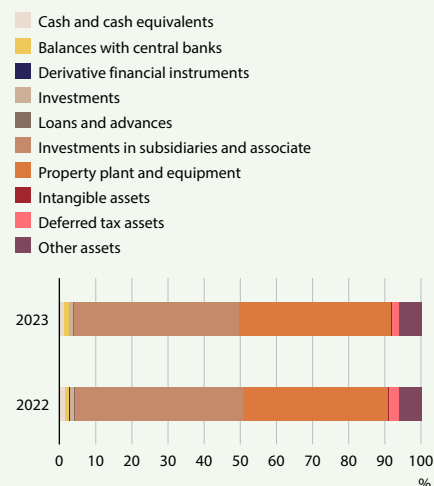


Graph – 08: Maturity analysis – Financial liabilities

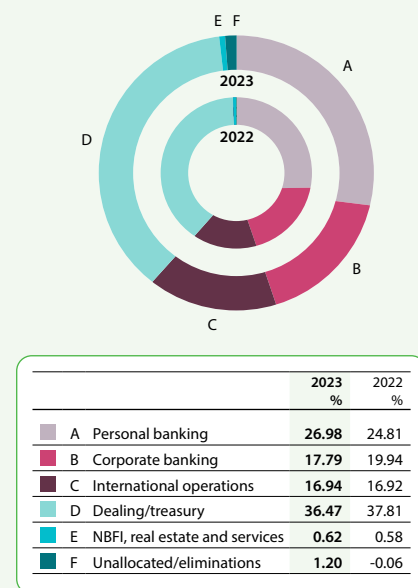


UTILISATION OF FUNDS

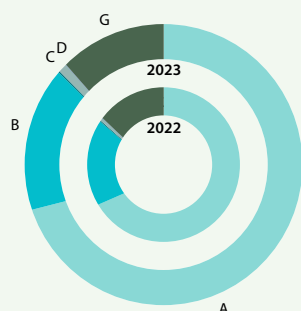
Graph – 09: Utilisation of funds as at December 31, 2023



Graph – 10: Assets by business segment

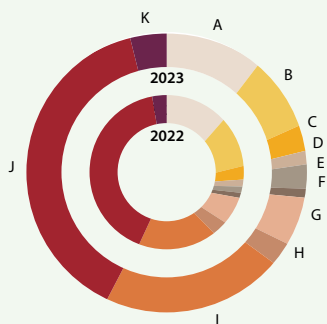


Graph – 11: Loans and advances mix by currency



	2023 %	2022 %
A Sri Lankan Rupee	71.01	68.45
B United States Dollar	16.38	17.85
C Great Britain Pound	0.15	0.19
D Euro	0.95	0.51
E Australian Dollar	0.04	0.06
F Japanese Yen	0.01	0.02
G Bangladesh Taka	11.46	12.92
I Others	0.00	0.00

Graph – 12: Loans and advances mix by product

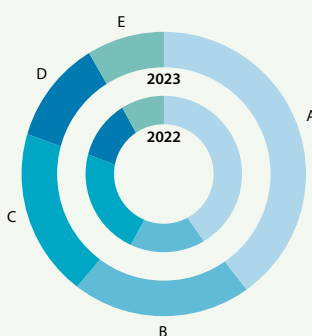


	2023 %	2022 %
A Overdrafts	10.37	11.45
B Trade finance	7.94	9.71
C Lease/hire purchase receivable	2.86	2.76
D Credit cards	1.51	1.46
E Pawning	2.76	1.34
F Staff loans	1.05	1.13
G Housing loans	5.75	6.29
H Personal loans	2.81	3.56
I Short term Loans	22.58	19.20
J Long term Loans	38.48	40.50
K Bills of exchange	3.89	2.60

Graph – 13: Loans and advances by customer type (Sri Lankan operations)



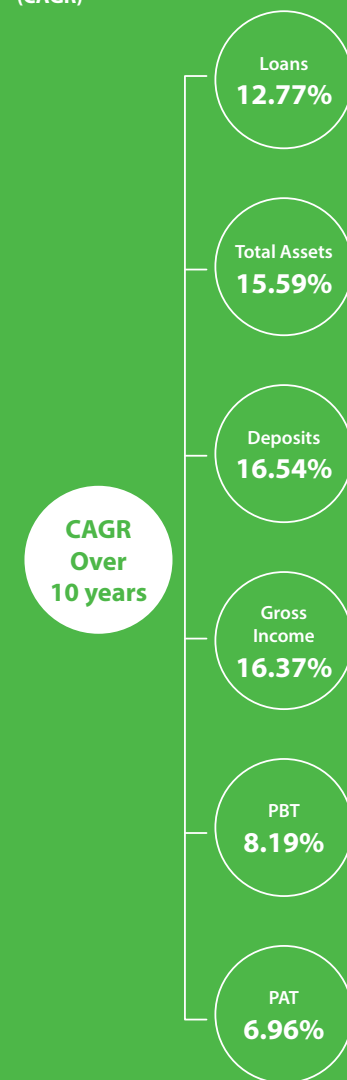
Graph – 14: Maturity analysis – Financial assets



	2023 %	2022 %
A Up to 3 months	39.43	40.32
B 3 to 12 months	21.77	17.66
C 1 to 3 years	19.38	22.97
D 3 to 5 years	11.16	11.12
E More than 5 years	8.26	7.93

The outcome of the multi-faceted diversification of the Bank has been positive and impactful. It has served as a risk management tool to successfully minimise concentration risks, contributed to the Bank's long-term viability by reducing vulnerabilities to specific market conditions or events and helped the Bank navigate volatile market conditions and remain agile in an ever-changing financial landscape. The diversification strategy has strengthened the Bank's financial position, enhanced its ability to withstand economic shocks and uncertainties and positioned it for sustained growth and value creation.

Compound Annual Growth Rate (CAGR)



Prudent impairment provisioning

The Bank has been cautious in its approach to impairment provisioning, ensuring that it recognises sufficient provisions and identifies declines in asset quality, in both loans and advances and investments, in a timely manner. Provisions for impairment are made prudently through regular reviews of the individually significant loans and advances, assessing future cash flows and borrower financial situations and determining the net realisable value of collateral. Such assessments are independently reviewed and challenged by the Integrated Risk Management Department to enhance the accuracy of provisions. Management overlays too are applied to take into account economic conditions and forward-looking information to account for current and anticipated external factors. Moreover, additional provisions are applied to loans in high-risk sectors and those under moratoriums, factoring in probability of default and loss given default to address unforeseen events. These careful measures ensure that the Bank appropriately addresses potential credit impairments. Consequently, Impairment (Stage 3) to Stage 3 Loans Ratio (Stage 3 Impairment Coverage Ratio) improved to 43.22% as at end 2023 from 39.60% in 2022.

Leveraging data analytics and predictive capabilities

The Bank leverages data analytics and predictive capabilities for growth by utilising advanced technologies such as machine learning and artificial intelligence. It has implemented machine learning predictive analysis models to identify and target potential borrowers for cross-selling and up-selling opportunities. These models analyse transaction data, sentiment analysis and macroeconomic data to predict customer behaviour and needs. By harnessing the power of data analytics, the Bank can make more informed decisions, enhance customer experience and improve operational efficiency. Additionally, it uses data analytics to assess risk, pricing loans and automate impairment assessments, ensuring accuracy and objectivity. Overall, data analytics and predictive capabilities enable the Bank to identify growth opportunities, optimise lending strategies and drive business growth.

Cost Optimisation Committee

In July 2023, the Bank established a Cost Optimisation Committee aimed at reducing expenses and improving the overall cost structure. This Committee convenes monthly to make recommendations for the Executive Strategy Development Committee. Numerous initiatives identified by the Committee are currently underway across the Bank. With a focus on finalising the budgeted capital and operating expenditures for 2024, the Committee has placed particular emphasis on this task. Additionally, to enhance the scope of its operations, the Bank is in the process of establishing a dedicated Cost Management Unit.

Capital management objectives

The Bank places utmost importance on capital management, ensuring availability of sufficient capital at all times through its ICAAP, with the following objectives:

- Maintaining compliance with industry standards while targeting a more stringent internal capital adequacy level above the minimum regulatory requirements in order to remain well capitalised
- Ensuring efficient capital allocation for optimum risk adjusted returns
- Maximising profitability by utilising capital optimally
- Facilitating wealth creation and business expansion
- Maintaining a credit rating that surpasses the industry peers

For more information on Bank's Capital Management, please refer page 232 on Risk Governance and Management section, Note 66.5 to the Financial Statements on pages 419 and 420 and page 456 for Annex 2, Disclosure 7 on Summary discussion on adequacy/meeting current and future capital requirements.

Managing funding and liquidity

The Bank has established a robust liquidity foundation to withstand ad hoc, acute and unforeseen shocks, aligning with Basel III regulations which introduced Liquidity Coverage Ratio (LCR, 2015) and Net Stable Funding Ratio (NSFR, 2019) as regulatory benchmarks. The Bank's steadfast commitment to maintaining its liquidity status has bolstered stakeholders' confidence

in its reliability. The Bank's Asset Liability Committee (ALCO) convenes regularly, at least fortnightly, to ensure that funding and liquidity align with the Bank's overarching commitments to stakeholders. ALCO actively assesses market liquidity, foreign currency funding positions, prevailing and anticipated interest rates, changes in policy rates, credit growth and alternative investment opportunities for surplus funds, especially given the modest growth in loans and advances.

With the gradual deceleration of inflation and the Central Bank beginning its monetary policy easing cycle in mid 2023, market interest rates declined significantly. This coupled with the improvements observed in the external sector gradually eased the difficulties encountered by the banking industry in managing funding and liquidity in both rupee and foreign currencies. In fact, the Bank had a comfortable level of liquidity throughout the year, thanks to the Bank's solid deposit franchise and as a result of stagnation of credit extended to the private sector, with the Bank having to make short term investments in government securities and invest in bank deposits. The gradual normalisation of market lending interest rates and improving investor and business sentiments are expected to support the expansion of credit to the private sector, as witnessed in the latter part of the year.

The Bank's funding sources for onward lending, in order of their assessed stability include:

- Retail deposits mobilised through the branch network
- Low-cost foreign currency borrowing (provided the interest and swap cost attached to such borrowing is cheaper as compared to the cost of wholesale deposits)
- Selected long-term wholesale deposits
- Re-purchase agreements
- Subordinated debentures

The Bank's Investment Banking Division remained committed to sustainability, integrating Environmental, Social and Governance (ESG) considerations alongside traditional investment practices to enhance long-term performance. Despite experiencing a period of relative inactivity in 2023, the division successfully managed a Rs. 12 Bn. debenture issue. This initiative bolstered the

Bank's Tier II capital base, addressed maturity mismatches in its asset-liability profile and secured funds to expand lending activities, particularly in the SME sector and export-oriented industries, to support national economic growth. The debenture issue which was closed within hours of opening after it was oversubscribed on the opening day reflects the investor confidence in the Bank, amid the challenging operating environment.

Funding and liquidity management objectives

The overarching objectives of the Bank's funding and liquidity profile management include the following:

- Honouring the stakeholders' varied transactions with the Bank, including deposit withdrawals upon maturity and numerous cash commitments, both during normal operations and periods of financial strain or economic adversity.
- Ensuring compliance with regulatory and reporting standards, setting internal funding and liquidity targets higher than prescribed thresholds, thus establishing stricter internal standards.
- Maximising profitability by effectively utilising liquid assets, both for immediate needs and through prudent long-term planning.
- Funding future business expansion at optimum cost.
- Supporting the desired credit rating.

- Complying with Basel III regulatory requirements concerning funding and liquidity (Refer Annex 2, Basel III – Disclosures under Pillar III on page 451).

Anti-Money Laundering (AML)

The Bank conducts risk assessments for Money Laundering and Terrorist Financing to safeguard its reputation from involvement in illegal activities. These assessments, carried out in accordance with regulatory directives and internal protocols, occur during customer onboarding and at regular intervals thereafter, utilising algorithms within the computer systems to gauge risk levels. The AML/Compliance Department regularly communicates its findings and observations to the Board through the BIRMC, alongside monthly statutory reports submitted to the Financial Intelligence Unit of the CBSL.

Anti-bribery and anti-corruption

The Bank's Anti-Bribery and Anti-Corruption Policy is employed to eradicate criminal activities and uphold ethical standards. Aligned with the 10 principles of the UNGC and emphasising the importance of the Code of Ethics, the Bank requires all employees to adhere to the highest levels of ethical behaviour. It maintains a zero-tolerance stance towards abuse of power, solicitation or acceptance of bribes, any form of corruption and other unlawful behaviours that tarnish the integrity of the banking culture. Additionally, the Bank ensures that all contractors, vendors, suppliers, service providers, consultants and representatives adhere to ethical standards. The Bank follows

guidelines outlined in the Whistleblowers Charter, addressing issues such as accepting or offering illegal gratifications, financial transactions, favouritism and conflicts of interest. The Board-approved Anti-Bribery and Anti-Corruption Policy can be accessed on the Bank's website via the following QR code.



Ethics and conduct

The Bank upholds a strong commitment to ethics and conduct standards, both as mandated by regulatory compliance and as part of its proactive ethical approach. It strives to maintain the highest ethical standards and acts as a virtuous exemplar in its conduct. Embracing a zero-tolerance stance towards bribery, corruption, fraud, money laundering and other unethical behaviours, the Bank's conduct is regularly audited by the Inspection Department of the Bank to ensure adherence to best practices and eliminate any wrongdoing. The Bank reinforces its code of ethics with an active whistleblower policy, encouraging the reporting of unethical practices such as corruption, fraud and misappropriations to the Compliance Officer, thus safeguarding the Bank's integrity.

Values that support the Bank's brand

Figure – 16



Conduct Risk Management Policy Framework

The Bank has implemented a Group Conduct Risk Management Policy Framework to bolster risk management and corporate governance. This framework aims to prevent the Bank from engaging in actions detrimental to customers, market stability and effective competition. It seeks to instill a risk-aware culture that addresses misconduct risk and emphasises clear accountability through a preventive approach. This involves implementing proper customer onboarding practices, ensuring transparency in fees and charges and avoiding fraudulent activities, insider trading, improper financial advice, mis-selling of financial products, tax avoidance, collusion with financial markets and inaccurate financial and regulatory disclosures.

Responsible Financing

A cohesive effort

Numerous factors come together in a cohesive effort to establish the Bank as a responsible entity, allowing it to consistently generate and distribute value sustainably. Each functional department plays a crucial

role in steering the Bank's operations towards the creation of sustainable finance, aligning with the diverse financial goals of stakeholders and fostering enduring partnerships. Throughout this journey, the Bank adheres to specific principles and standards outlined in its Sustainability Framework which include;

- The CBSL Roadmap for Sustainable Finance in Sri Lanka
- The CBSL Direction on Sustainable Finance Activities
- Sustainable Banking Principles of Sri Lanka Banks' Association
- United Nations (UN) Global Compact Principles
- UN Sustainable Development Goals

The Bank has aligned its sustainability-related metrics with the CBSL Road Map for Sustainable Finance in Sri Lanka. This Road Map outlines various initiatives across six focal points aimed at promoting sustainable finance practices.

The six focus areas are,

- Financing Vision 2030
- ESG integration into financial market
- Financial inclusion

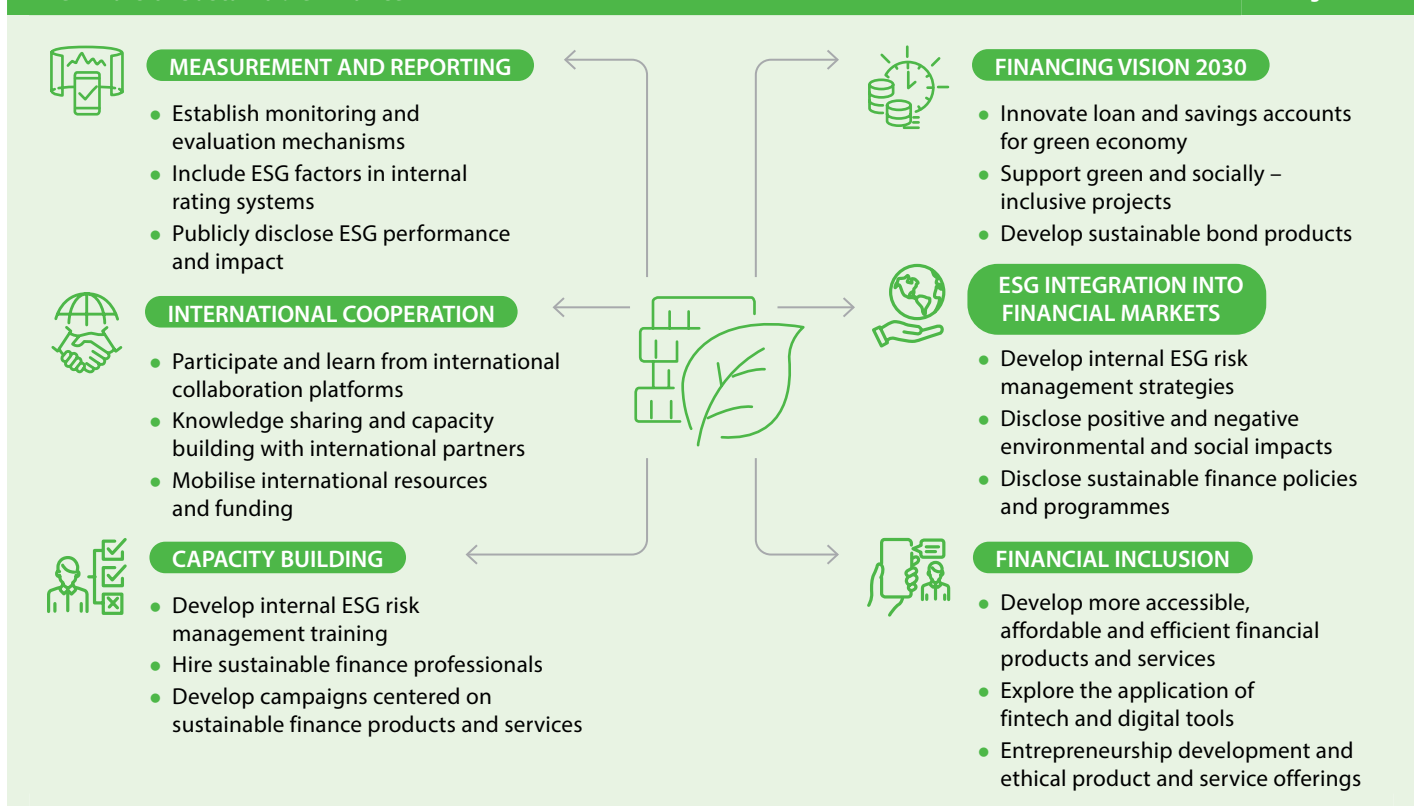
- Capacity building
- International cooperation
- Measurement and reporting

The Road Map outlines short, medium and long-term economic, social and environmental objectives. To transition Sri Lanka towards a green, inclusive and balanced economy, substantial investments are needed in eight key sectors: agriculture and food, marine resources, education, transport, energy, urban development and physical planning, health and water. The facilitation of financial institutions to create innovative sustainable finance products and services is crucial for implementing Sri Lanka's sustainable development agenda. This not only presents new business opportunities for financial institutions but also serves as a catalyst for sustainable finance.

Within the six focus areas mentioned above, the Road Map provides specific action plans for financial institutions, leasing companies and capital markets. The Bank has accordingly established key performance indicators (KPIs) for each focus area, assigned responsibilities to relevant departments, identified associated Sustainable Development Goals (SDGs) and monitors progress on a quarterly basis.

The Pillars of Sustainable Finance

Figure – 17



In accordance with the aforementioned principles, the Bank strives to make banking accessible and cost-effective while also prioritising environmental preservation and ensuring that no one is excluded from the path towards sustainable long-term goals.

Socially and environmentally sustainable lending and practices

The Bank uses its Social and Environmental Management System (SEMS) to proactively identify and assesses social and environmental risks associated with lending and operations. This empowers the Bank to make informed decisions, avoiding projects with high sustainability risk challenges. By prioritising risk areas, SEMS helps develop strategies to mitigate and manage them. This could involve adopting green technologies, promoting resource efficiency, or setting social safeguards for development projects. Implementing a SEMS demonstrates our commitment to sustainability, fostering trust and positive perception among customers, investors and employees who increasingly value responsible practices. SEMS helps the Bank to comply with national and international regulations increasingly focusing on environmental and social responsibility in the financial sector. Identifying sustainable opportunities

enables the Bank to develop innovative financial products and services catering to the growing demand for green finance and socially responsible investments.

Green finance

The Commercial Bank's dedication to environmental initiatives is articulated in its Sustainability vision, **"to be a responsible financial service provider by enabling and empowering people, enterprises and communities, towards environmentally-responsible, socially-inclusive and economically-enriching growth"**.

The Bank's climate strategy involves integrating climate considerations into its primary product and service offerings through a three-pronged approach; Green Financing, Internal capacity building to support Green Financing and supporting clients and customers to reduce their environmental footprint. Accordingly, the Bank has designed tailor made products and services to cater to the green financing activities coming under Green Finance Taxonomy published by the Central Bank. The Bank is engaged in financing a wide array of projects including Renewable energy, smart agriculture, environmentally friendly transport, waste management and resource efficiency and green buildings.

For over five years, the Bank has prioritised Green Finance, even in the absence of strict Green Banking guidelines. It established a green finance taxonomy which describes what activities could be classified and considered as Green. While the Bank's voluntary measures primarily focused on the climate, the Central Bank's prescribed system encompasses climate, environment, pollution, ecological changes and social impact, providing a comprehensive approach to green finance taxonomy.

The Bank adopted a Board approved Green Financing Policy during the year which encapsulates the entirety of its green financing processes, functions and initiatives. It outlines the Bank's commitment to environmental sustainability and its strategies for integrating green principles into its financing activities and processes to ensure alignment of such activities with the Bank's overall sustainability objectives and governance framework.

The Central Bank has implemented compliance reporting mandates relating to sustainable financing activities for licensed banks, as outlined in the Banking Act Direction No. 05 of 2022. In response, the Bank has established a framework for quarterly reporting to ensure adherence to these requirements.

Green Financing goals of the Bank



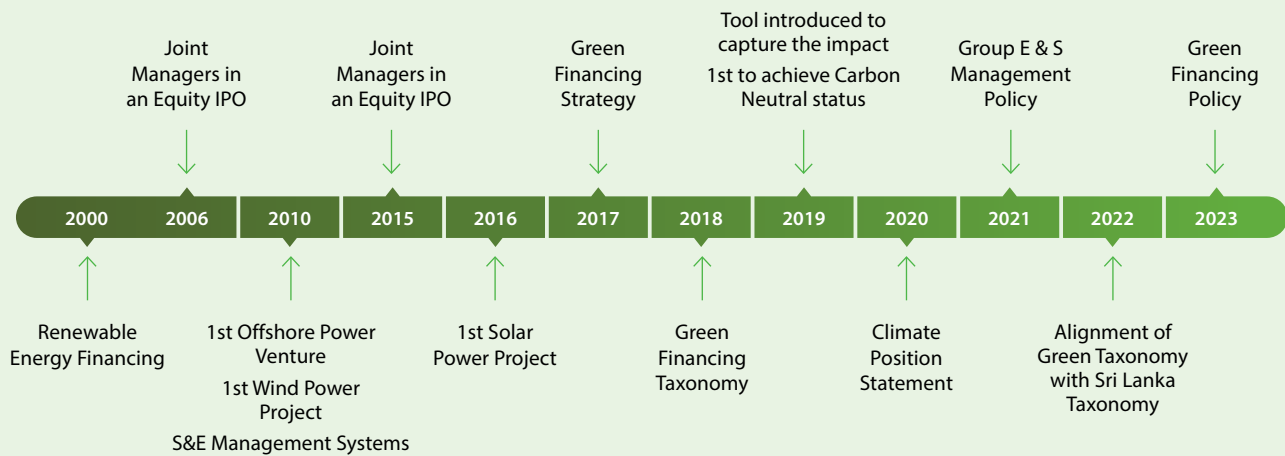
1. To be the leading Institute for Green Financing in Sri Lanka
2. To develop innovative Green Financing solutions and to commit for Green Finance activities up to Rs.50 Bn. by 2030

Contribute towards the fight against climate change thereby supporting the SDGs.



Commercial Bank's Green Financing Journey

Figure – 18



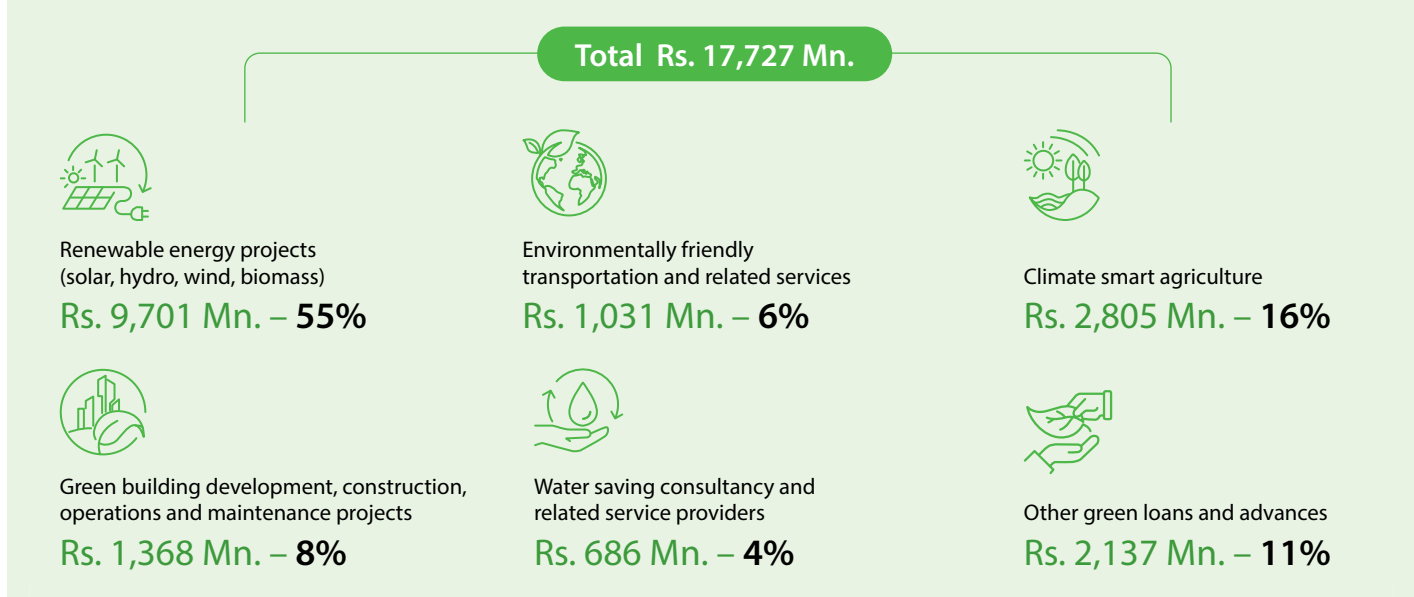
In 2023, the green finance portfolio recorded a growth of 7.59%, rebounding from a subdued lending period in 2022, primarily attributed to elevated interest rates and the delayed payments from the CEB, particularly impacting lending to the renewable energy sector.

In 2020, Commercial Bank secured a USD 50 Mn. loan from the UK-based CDC Group with the specific aim of boosting the Bank's Green Financing to SMEs, contributing to national climate objectives. Moreover, an internal campaign was launched to encourage staff members to promote green

finance solutions to customers actively. The Bank also focused on promoting "**Diribala Green Development Loans**", facilitating the installation of rooftop solar panels. Consequently, the Green Financing portfolio of the Bank grew to Rs. 17.727 Bn. during the year, from Rs. 16.476 Bn. a year ago.

Composition of the Green Finance portfolio as at December 31, 2023

Figure – 19



Contribution of Green Financing portfolio for reduction of CO₂ emissions as at December 31

2023 – 233,918tCO₂e

2022 – 229,752 tCO₂e



Number of Green Financing Facilities disbursed during the year

2023 – 649

2022 – 261

Other activities undertaken by the Bank to further support the implementation of sustainable finance activities include;

- Relaunching the “*Diribala Green Development Loan*” product covering a wider range of green activities.
- Launching of two new Green products catering to individuals via the “*Green Home Loan*” and also the SME and Corporate customers through the “*Green Building Loan*”.
- The Bank is in the process of developing a green bond framework.
- The Bank represented in various forums as a presenter and panelist, where our experience and our sustainability/green journey have been shared with peer banks, others in the finance sector and various other stakeholders.
- Several staff members directly involved in sustainability initiatives of the Bank are members of the Sri Lanka Banks’ Association’s Sustainable Banking Initiative (SLBA - SBI) which contribute to several national initiatives.
- As part of continuous capacity development of the staff engaged in sustainable financing activities, the Bank conducted 10 internal training programmes during the year for 1,121 staff members
- Engaging in collaborative efforts with Green Vendors and service providers to enhance Green practices.

Green financing risks

In addition to conventional and emerging risks associated with other lending activities, green financing encounters specific risks inherent to its products. These include regulatory inconsistencies affecting project feasibility and viability, exposure to natural disasters or environmental challenges for projects focused on environmental sustainability, the influence of community acceptance, stakeholder engagement and social impact on project success and the risk of losing competitiveness due to technological advancements.

Climate Assessment for Financial Institutions (CAFI) tool

The Bank has adopted the Climate Assessment for Financial Institutions (CAFI) tool developed by the International Finance Corporation (IFC), a member of World Bank Group, to measure and report on the GHG emission reduction attributed to the Bank’s Green Financing portfolio. The Bank was honoured with the prestigious Climate Assessment for Financial Institutions (CAFI) award for recording the highest number of climate finance transactions in South Asia in the past two years. This award recognised the Bank’s successful completion of the highest number of climate finance transactions in South Asia that met the IFC’s stringent climate eligibility criteria. The CAFI tool was instrumental in assessing climate eligibility and quantifying the climate impact of investments.



Customer centricity

Providing the experience, simplicity and convenience that customers value most today

The Bank's commitment to customer centricity is exemplified through its proactive efforts to maintain transparent communication, provide tailored solutions through segmentation and foster meaningful relationships with its customers. By prioritising transparency in its communication, the Bank ensures that customers are kept informed about products, services, policies and any changes that may impact them. This openness not only builds trust but also helps manage customer expectations and address concerns

effectively. Furthermore, the Bank goes above and beyond to understand the unique needs of its customers and offer personalised solutions that align with their financial goals and aspirations. Whether it is restructuring loan facilities to provide relief during challenging times or offering specialised accounts and services to cater to specific customer segments, the Bank demonstrated its dedication to meeting the diverse needs of its clientele. Moreover, by organising capacity building programmes, SME fairs and clinics, the Bank created opportunities for customers to enhance their skills, expand their networks and access resources that contribute to their financial well-being and success. Overall, the Bank's customer-centric approach permeates every aspect of its operations.

Customer segmentation

The Bank utilises customer segmentation as a strategic approach to better understand and address the unique needs and preferences of each segment, enabling it to provide tailored solutions to its customers, offering products and services that not only met but often surpassed their expectations. This required internal adaptations and process enhancements to ensure agility and relevance. By segmenting its diverse customer base and providing exceptional services accordingly, the Bank aimed to enhance the Commercial Bank brand, fostering stronger customer loyalty and engagement. This segmentation strategy is illustrated in tables 09 and 10 below.

Customer segmentation

Table – 09

Criteria	High net-worth	Corporate	SME (Small and Medium Enterprises)	Micro customers	Mass market
Income/Size of relationship/ Business turnover/Exposure	Individuals with banking relationships above set thresholds	Exposure > Rs. 250 Mn.	Exposure < Rs. 250 Mn.	Exposure < Rs. 1 Mn.	Individuals not falling into other categories
Price sensitivity	High	High	Moderate	Low	Low
Products of interest	Investment	Transactional, trade finance, and project loans	Leasing and project financing	Transactional	Transactional
Number of transactions	Low	High	High/Moderate	Low	Low
Level of engagement	High	High	High	Low	Low
Objective	Wealth maximisation	Funding and growth	Funding, growth and advice	Funding and advice	Personal financial needs
Background	Elite business community/ professionals	Rated, large to medium corporates/MNCs	Medium business	Self-employed	Salaried employees
Number of banking relationships	Many	Many	A few	A few	A few
Level of competition from banks	High	High	Moderate	Low	Moderate

Channel mix and target market on perceived customer preference

Table – 10

Customer segment	Branches	Internet & Mobile Banking	ATMs/CDMs CRMs	Call centre	Relationship managers	Business promotion officers	Premier banking units
High net-worth	✓	✓	✓	✓	✓	✓	✓
Corporates	✓	✓	✓	✓	✓	✗	✗
SMEs	✓	✓	✓	✓	✓	✓	✗
Micro	✓	✓	✓	✓	✗	✓	✗
Millennials	✗	✓	✓	✓	✗	✗	✗
Mass market	✓	✓	✓	✓	✗	✗	✗

Crafting a Customer-Centric Future

Commercial Bank's Journey Towards Customer Experience Excellence

In response to the increasingly competitive banking landscape, Commercial Bank recognises the paramount importance of excelling in customer experience as a key differentiator. With a steadfast commitment to understanding and fulfilling customer needs, the Bank established the Customer Experience Unit in late 2023, signalling a transformative journey towards elevating service standards. This focus on customer-centricity is deeply ingrained in the Bank's Vision, Mission and 12 service commandments, which prioritise surpassing customer expectations and fostering loyalty through passionate service and cutting-edge technology enabling seamless interactions.

Six pillars of the strategic journey towards a Customer-Centric Culture

- 1 The Bank aims to instill a customer-first culture through targeted training and empowerment programmes for its workforce,
- 2 A robust Customer Excellence Governance Framework ensures consistency and high-quality service delivery through policies, service-level agreements and a dedicated Customer Experience Steering Committee,
- 3 Active engagement and proactive empathy are prioritised to anticipate and address customer needs effectively,
- 4 Product and service offerings are tailored to evolving customer needs through data analysis and persona creation
- 5 Best-in-class customer management and communication practices are adopted to enhance interactions across all channels and
- 6 Strategic action plans are implemented to translate these goals into tangible outcomes, including customer persona creation, journey mapping, standardised communication protocols and structured feedback gathering.

Led by the Chief Manager - Customer Experience, the Customer Experience Unit represents a strategic shift towards customer-centricity. With a dedicated focus on passionate service, active engagement and superior customer service, the Bank aims to set new benchmarks in customer satisfaction starting from 2024 and establish itself as a service leader in the banking industry.

A measure of customer satisfaction

In 2022, the Bank enlisted Kantar Research to assess customer satisfaction levels. The Bank attained an outstanding total TRI*M score of 101 for Corporate Banking, surpassing the regional benchmark of 85 and indicating excellence within the range of 100 – 150. In Retail Banking, the TRI*M score was 85, the highest among competitors whose average score was 74. Additionally, the Bank achieved the second-highest TRI*M score of 92 for SME Banking. The Bank will continue to monitor the customer satisfaction levels.

Acquiring a new Corporate Digital Platform

The Bank is planning to acquire and deploy a robust corporate banking App with comprehensive front-end and back-end capabilities. This App aims to prioritise customer-centricity by covering various aspects of corporate banking, including lending, deposits, trade and treasury services. By identifying all service and revenue points, the App intends to streamline processes and enhance efficiency.

One of the key objectives of the proposed app is to address challenges related to talent loss, skill deficiencies and personal biases by automating repetitive tasks, audits and workflows. This automation will help mitigate the impact of talent gaps and ensure consistency in service delivery.

Moreover, the introduction of this corporate banking App signifies a strategic shift for the Bank, transitioning from a traditional brick-and-mortar institution to a modern entity with cutting-edge digital capabilities. By embracing state-of-the-art technology and leveraging its financial strength, the Bank aims to further strengthen its formidable position in the corporate banking sector.

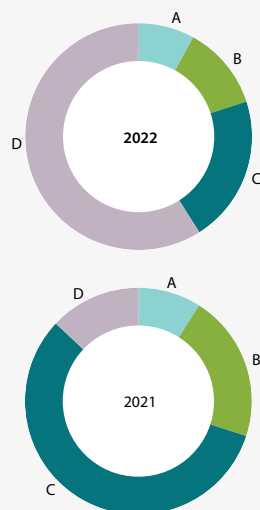
Overall, the acquisition and rollout of this corporate banking App represents a significant step towards enhancing the Bank's competitiveness, improving operational efficiency and meeting the evolving needs of corporate clients in today's digital era.

Uplifting the Small and Medium Enterprises (SMEs)

The Bank recognises the crucial role of SMEs in the Sri Lankan economy and is deeply committed to supporting their growth through a range of financial products and services. Fourteen dedicated SME Managers appointed to support all the regions and there are 57 dedicated Branches established as SME Cluster branches demonstrate this commitment. As part of this commitment, the Bank prioritises the development of financial literacy and capacity building among SMEs. To this end, the Bank organised webinars aimed at helping SMEs expand into new markets, utilise non-financial services and establish connections with supply chains and exporters. Additionally, the Bank provided training to SMEs on various topics including entering the export market, product marketing and leveraging international methodologies to access new markets. During the year, the Development Credit Department of the Bank conducted 50 awareness programmes for over 2,200 Micro-SMEs (MSMEs), Women SMEs (WSMEs) and prospective SMEs. Further details on these SME training programmes can be found on page 81 of this Report. In addition, the Bank actively participates in MSME support initiatives organised by external institutions, facilitating financial literacy and awareness sessions on various topics such as waste management and renewable energy. These collaborative efforts, supported by stakeholders such as the Central Bank and government agencies, aim to empower MSMEs and enhance their competitiveness in the market.

In this regard, it is noteworthy to mention that the Ministry of Finance, Sri Lanka, recognised Commercial Bank as the leading SME lender for the years 2020, 2021 and 2022 underscoring the Bank's dedicated focus and commitment to the SME Sector.

Graph – 15: Composition of loans granted by Commercial Bank to the SME sector



Source: Annual Report 2022 Ministry of Finance Sri Lanka

ComLEAP – Online Business Ecosystem in partnership with GlobalLinker



In the realm of digital transformation, the Bank pioneered a ground-breaking initiative in Sri Lanka's banking sector by introducing the "Commercial Bank LEAP GlobalLinker", providing a suite of services free of charge. This innovative digital business ecosystem is designed to enhance the global reach SMEs and MSMEs, connecting them with markets spanning over 150 countries. With a focus on fostering cross-border collaborations and opening doors to new opportunities, the platform has already attracted over 8,000 customers, including leading manufacturers, exporters and women-led SMEs from across the country.

Moreover, the platform has facilitated over 90 entities to share their success stories, contributing to its growing significance within the business community. The Bank's dedicated SME teams are actively engaged in customer acquisition efforts, organising events in collaboration with government institutes, chambers and organisations to highlight the platform's value proposition. The Commercial Bank LEAP GlobalLinker distinguishes itself with advanced features such as e-stores, digital catalogues and an enhanced online presence, offering a dynamic environment for businesses to thrive in an interconnected global landscape.

Moving forward, the platform is poised for further growth and innovation, with plans to onboard additional partners and expand its features to meet evolving business needs. The IFC has played a pivotal role in providing advisory support for the successful implementation of this transformative initiative, which marks a significant milestone in Sri Lanka's digital banking landscape. Additionally, webinars and structured entrepreneurial skill development programmes conducted in collaboration with IFC have further underscored the Bank's commitment to embracing digital solutions and fostering economic advancement for businesses.

ComBank BIZ Club

Since its establishment in 2017, the "ComBank BIZ Club" has persistently supported SMEs, offering more than just financial aid. Its membership has exceeded 5,600, representing majority of the Bank's SME customers by December 31, 2023. The Club provides an array of advantages to its members, such as complimentary financial advisory services and access to specialised business seminars, contributing significantly to their business growth. Additionally, since establishment of the Club, the Bank has conducted over 2,200 financial literacy programmes, benefitting over almost 15,000 MSME customers to date.

The Bank initiated a widespread extension of microcredit facilities to support MSMEs during an impending crisis. Equipped with microfinancing, small business owners were empowered to navigate challenging situations and access the Bank's value creation processes. To aid SMEs in recovery, a dedicated Business Rehabilitation & Revival Unit was established, along with measures like NPCF management, staff redeployment, regional rehabilitation centers and loan delinquency management.

Year/Sector	Number of loans		Loan value (Rs. Mn.)	
	2022	2021	2022	2021
Agriculture	3,470	2,974	19,890	17,574
Services	4,254	5,814	29,040	40,398
Industries	7,531	31,538	49,068	111,742
Other	41,060	3,101	137,101	26,138
Total	56,315	43,427	235,099	195,852



Awareness programme for WSMEs

In challenging economic circumstances, the Bank collaborated closely with SMEs, offering concessions through loan restructuring and rescheduling. SME officers underwent training to better understand SMEs and implement adaptable practices for their recovery. As moratoriums on SME loans concluded in January 2023, revised repayment schemes and restructured loans with concessions were introduced to support the hardest-hit SMEs through 2023 and beyond.



SME Trade Fair conducted by the Bank

The Commercial Bank of Ceylon's impactful efforts to support the local SME sector were recently acknowledged on a global platform when the Bank won the award for the 'Best SME Bank' in Sri Lanka from New York -head quartered Global Finance magazine.



Chief Operating Officer, Mr S Prabagar accepting the award for the "Best SME Bank" in Sri Lanka by the Global Finance Magazine at the Awards Ceremony held in London

Conducting capacity building programmes and training sessions for SMEs

The Bank conducted capacity building programmes and training sessions for SMEs with the aim of enhancing their knowledge, skills and capabilities to navigate business challenges and seize growth opportunities. These programmes focused on improving financial literacy, essential business skills, and industry-specific expertise.

Financial literacy training equipped SMEs with the understanding of financial management, budgeting and cash flow analysis, empowering them to make informed financial decisions and plan for growth effectively. Additionally, training sessions covered essential business skills such as marketing strategies, product development,

customer relationship management and human resource management, enhancing SMEs' competitiveness and overall performance in the market.

Moreover, specialised training sessions addressed industry-specific knowledge and expertise, providing insights into the latest trends, technologies and best practices relevant to sectors like manufacturing, agriculture and technology. These programmes helped SMEs innovate, adapt to market changes and stay ahead of the competition.

The Bank offered a variety of learning formats, including workshops, seminars, online courses and mentoring sessions, to provide accessible and practical learning opportunities tailored to the needs of SMEs.

The benefits of these capacity building programmes were manifold. They contributed to the growth and development of the SME sector, fostering entrepreneurship, innovation and economic diversification. Additionally, they promoted job creation, poverty reduction and improved standards of living within local communities.

In the agriculture sector, the Bank provided advisory and consultancy services through initiatives such as sessions on improving savings habits and loan schemes conducted by the Development Credit Department. Technical sessions on soil fertilisation and machinery usage, led by relevant organisations like TRI and TSHDA, aimed to enhance productivity and sustainability among farmers and entrepreneurs in the agriculture sector.

Financial Inclusion and Skill Development Programmes

Figure – 20

	Programmes	Participants
MSME		
<i>Diribala Sustainable Entrepreneurship Development Programme (In Collaboration with IFC)</i>	28	289
– Business Recovery & Planning (In person – 10)		
– Digital Transformation & Marketing (Online – 7)		
– Digital Brand Management (Online – 7)		
– Women Empowerment for Women only (Online – 4)		
Sustainable Business Presence through Digital Ecosystem – Webinar	2	110
Bringing Business to next level with Digital Ecosystem	3	135
Empowering SMEs through Digital Platforms	1	30
Export		
Exporter Development Programme	1	112
SME		
Business Revival – Colombo	1	40
Micro		
Finance Literacy and Farmer Awareness Programmes	14	1,515

Total
Programmes
50

Total
Participants
2,231

Enhancing the literacy of SMEs in areas such as entering the export market and marketing products

The Bank recognised the significance of SMEs in driving economic growth and innovation, yet acknowledged their challenges in entering the export market and marketing their products effectively. To address this, the Bank undertook initiatives to enhance SME literacy in these areas.

In terms of entering the export market, the Bank provided SMEs with knowledge and skills to navigate global trade complexities. This included understanding market trends, consumer preferences and legal frameworks governing international trade. By equipping SMEs with this knowledge, they could identify export opportunities, target suitable markets and ensure compliance with export regulations, thereby facilitating smooth operations and minimising legal risks.

Similarly, the Bank focused on enhancing SME literacy in marketing to empower businesses to effectively promote their products and reach target customers. This involved understanding consumer behaviour, market segmentation and digital marketing strategies. By conducting market research and leveraging digital platforms, SMEs could tailor their marketing campaigns to resonate with their audience, increase brand awareness and drive sales.

Overall, these initiatives aimed to equip SMEs with the knowledge and skills necessary to overcome barriers in entering the export market and implementing effective marketing strategies, thereby fostering their growth and competitiveness in the global marketplace.

Details of a training programme conducted during the year are given below;

Target audience	Details of content	Resource persons	Number of participants
MSME/Indirect Exporters/Local Producers	Industry Overlook Export Procedures Potential Industries/ Markets Standards and Good Manufacturing Practices Certifications	Officials of Industrial Development Board/Export Development Board/ Sri Lanka Standards Institution/ National Plant Quarantine Services	112

Conducting SME fairs and clinics to develop networks and resolve problems

The Bank utilised SME fairs and clinics as well as the BIZ Club strategically to extend networking opportunities and support the growth and resilience of SMEs. These events served as platforms for SMEs to build connections with each other as well as government institutions and industry stakeholders, showcase their products, engage with potential partners and customers and address challenges they faced. The primary objectives were to cultivate networks among SMEs and offer solutions to their problems.

SME fairs provided them with valuable networking opportunities, bringing together various stakeholders such as other SMEs, industry experts, governmental bodies and potential clients. This facilitated collaboration, knowledge-sharing and the establishment of mutually beneficial relationships, enabling SMEs to forge partnerships and explore new markets, thereby leveraging resources and support systems conducive to their growth.

Similarly, SME clinics offered SMEs a platform to seek expert advice on specific challenges, including financial management, marketing strategies and digital transformation. With facilitators knowledgeable in various fields, SMEs could overcome obstacles and enhance operational efficiency, leading to sustainable growth.

Moreover, SME fairs and clinics served as catalysts for innovation and entrepreneurship within the SME community, showcasing innovative products and services, business models and inspiring creative approaches.

These events helped raise awareness of the importance of the SME sector, share success stories, explore new opportunities and provide access to resources and support services, empowering SMEs to thrive.

Beyond networking and problem-solving, SME fairs and clinics contributed to the broader development of the SME sector by raising awareness of its significance in the economy and the available support mechanisms. These events provided platforms for governmental agencies, financial institutions and other stakeholders to showcase their initiatives, programmes and services tailored to SME needs. By facilitating access to resources, funding and expertise, SMEs were empowered to thrive. Additionally, the events facilitated knowledge exchange, learning and capacity building among SMEs, essential for their long-term sustainability and success.

The digital ecosystem, Commercial Bank LEAP GlobalLinker too supports MSMEs and enhances global market access, addressing key pain points and promoting business networking on a global scale.

Year	Details of the events
2022	ComBank SME Trade Fair 2022 (Own) 110 Exhibitor Stalls for SMEs - Government/Industry Information Desk - Seminars and Workshops – 04 - Credit Clinic IDB Trade Fair (External)
2023	Launching of own Digital Business ecosystem in the name of Commercial Bank LEAP GlobalLinker IDB Trade Fair – Kandy (External) IDB Trade Fair – Jaffna (External) Trade Fair of Sri Jayewardenepura University (External)

Restructuring and rescheduling of loan facilities

The Bank offered concessions to individuals and businesses by restructuring and rescheduling loan facilities, particularly those emerging from moratoriums, to provide support during challenging times. This approach allowed borrowers to adjust repayment plans according to their current financial capabilities, offering relief and a pathway to financial recovery.

During economic downturns and crises, borrowers faced difficulties meeting loan obligations, leading to increased defaults. By offering concessions, the Bank helped borrowers navigate these challenges, preventing further financial distress and stabilising the overall economy.

Concessions were primarily provided through loan restructuring, which involved modifying loan terms like extending repayment periods or reducing interest rates. This flexibility helped borrowers manage cash flows and stabilise finances. Additionally, loan rescheduling adjusted repayment schedules to align with borrowers' financial situations, facilitating better financial organisation and repayment management.

These concessions benefited borrowers by averting defaults and maintaining creditworthiness. By preventing loan defaults, the Bank preserved asset quality, ensuring financial stability and continued credit availability. Moreover, supporting borrowers sustained consumer spending, business operations and economic growth, particularly among small and medium-sized enterprises, crucial for job preservation and entrepreneurship.

Setting up a Business Revival and Rehabilitation Unit to support struggling businesses

The establishment of a Business Revival and Rehabilitation Unit by the Bank in 2020 exemplifies its commitment to supporting struggling businesses during challenging times. With the policy direction of the Central Bank, the Bank took steps to expand the scope of the Unit in 2022. This Unit provides targeted assistance, guidance and resources to SMEs facing difficulties due to external and internal challenges and undertakes projects for rehabilitation with a hand holding process. The unit identifies struggling businesses, understands their unique obstacles and tailors solutions to aid in their

recovery. By dedicating resources to business revival and rehabilitation, the Bank ensures the survival and long-term success of these enterprises.

The Unit's primary goal is to assess the financial needs of SMEs and identify lending opportunities in specific segments. This may involve providing additional financing, adjusting business processes, or offering concessionary credit lines to alleviate financial burdens. Through close collaboration with SMEs, the Unit understands their needs and provides necessary tools and resources for overcoming challenges.

Moreover, the Unit fosters open communication and collaboration through regular meetings, seminars and workshops with clients and stakeholders. This approach allows for a deeper understanding of SMEs' needs and the development of effective support strategies.

Ultimately, the Unit's success lies in its holistic approach to supporting struggling businesses. In addition to addressing immediate financial needs, it assists SMEs in reevaluating their operations and identifying new market opportunities. By optimising costs and implementing innovative strategies, SMEs can regain momentum and achieve sustainable growth under the Unit's guidance.

The Unit has undertaken 22 projects for business rehabilitation during the year of which four SMEs were successfully rehabilitated and 14 SMEs are under rehabilitation while four SMEs could not be rehabilitated.

Promoting digital innovation and creating new business opportunities

The Bank promoted digital innovation and created new business opportunities by leveraging technology to improve operational processes, enhance customer experience and drive growth. Embracing digital transformation allowed the Bank to identify untapped markets, develop innovative products and services and reach a wider customer base, similar to the rise of e-commerce platforms and fintech companies. Additionally, digital innovation enhanced customer experience by offering personalised recommendations, streamlining processes and providing convenient self-service options, leading to improved customer satisfaction and loyalty.

At the same time, digital innovation improved operational efficiency and productivity through automation, integration of systems and data-driven decision-making, despite challenges such as the need for investment in technology, infrastructure, talent and addressing cybersecurity concerns. Overall, embracing digital transformation enabled the Bank to stay competitive, seize new opportunities and thrive in the digital age.

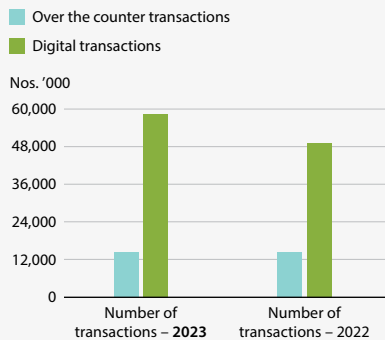
The Bank adopted digital signatures as an operational process whereby allowing customers to submit digital documents instead of physical paper-based documentation to the Bank.

Commercial Bank is the first Sri Lankan Bank to accept digitally signed documents from business customers using LankaSign operated by LankaClear, the only commercially operating Certification Authority in the country that complies with the Electronic Transaction Act.

As part of its commitment to sustainability, the Bank prioritises transitioning customers to eco-friendly digital banking channels. Offering six banking apps, including ComBank Digital online banking platform, Flash Digital Bank Account, Q+ Payment App, ComBank ePassbook, ComBank eSlip and ComBank Remit Plus, the Bank also provides social network banking with WhatsApp Banking and Viber Banking. Throughout the year, efforts were made to encourage customers to shift to digital channels, aligning with the Bank's digital vision of fostering a digital economy accessible to all customers regardless of their technological proficiency.

The Bank's Digital Road Map focuses on retail customers, promoting paperless and sustainable digital products, services, processes and interactions. In 2023, the number of customer transactions carried through digital channels compared to over-the-counter transactions continued to increase as shown in the Graph below;

Graph – 16: Digital transformation



Notably, the Bank's green-initiative apps given below received top ratings from users compared to competitors across all parameters.

Digital products and services

Combank digital	
Q+ Payment App	
e-Slip	
Remit Plus	
WhatsApp and Viber Banking	
e-Passbook	
Flash Digital Bank Account	

Supporting exporters

The Bank played a crucial role in supporting exporters by providing them with financial solutions, market insights, networking opportunities and trade finance services.

The strategic partnership the Bank entered into with the National Chamber of Exporters of Sri Lanka (NCE) helped it to extend financial solutions to exporters, with a focus on SMEs. This partnership aimed to encourage and strengthen SMEs engaged in the export market by providing them with a full range of international banking capabilities and expertise. Additionally, the Bank organised trade fairs, seminars and

webinars in collaboration with industry experts such as the Export Development Board (EDB) and the Ministry of Commerce. These events provided exporters with opportunities to showcase their products, learn about market trends and network with potential buyers and partners.

The Bank also offered a range of trade finance products and services to support exporters. These included documentary credits, letters of guarantee, forward exchange contracts, document collection, shipping guarantees, marine insurance and assistance with entrepot trade shipments. These services helped exporters manage their trade transactions, mitigate risks and access financing for their export activities.

Furthermore, the Bank launched the **"Combank Trade Club"**, an ecosystem designed to stimulate business growth for its trade customers. This platform provided exporters with access to innovative trade solutions, expert advice and networking opportunities.

Diribala Export Grooming Programme

The **Diribala Export Grooming Programme**, initiated by the Bank, aims to enhance the export capabilities of businesses and strengthen the export value chains across various sectors, recognising the vital role of the export segment in the economy. The programme focuses on preparing businesses to become export-ready, with an emphasis on understanding export procedures, industry potential, standards and good manufacturing practices.

In its initial phase, the programme involved conducting awareness sessions for 112 potential direct and indirect exporters, providing them with valuable insights and resources. These sessions, facilitated by key institutions such as the Export Development Board, Industrial Development Board, Sri Lanka Standards Institution and National Plant Quarantine Service, aimed to equip participants with the knowledge and tools necessary for successful exporting.

Moving forward, the programme seeks to facilitate market connections for potential exporters, bringing together various stakeholders from the export ecosystem to address their challenges and facilitate their entry into export markets. By fostering collaboration and providing access to resources and expertise, the Diribala Export Grooming Programme aims to support businesses in tapping into the vast opportunities offered by international trade.

Supporting importers

As a result of a shortage of foreign exchange, rapid fluctuations in exchange rates and sovereign rating downgrades, the Bank encountered difficulties in relation to foreign exchange management. However, the Bank effectively addressed customer concerns and expectations, particularly in trade finance, thanks to the fact that a significant portion of export proceeds goes through the Bank. Despite the sovereign rating downgrade, the Bank successfully negotiated reduced commission rates for confirmations with multinational banks, alleviating the financial strain on customers.

Female participation

In the ever-evolving landscape of financial services, the Bank's dedication to empowering women remained steadfast throughout 2023. A themed campaign revolving around **Anagi Women Banking** was unveiled in March, featuring prominently in press and media advertisements. The Bank also took to social media platforms, publishing a Women's Day post showcasing the top four corporate management members. Additionally, a Women's Day event saw a competition to recognise the top five WSME customers in the Colombo region, complete with benefits and prizes, creating a festive atmosphere. This event attracted the participation of 100 attendees.

Furthermore, beyond its core financial services, the Bank showcased its commitment to social causes through strategic non-financial endeavours. A series of social media posts centered around significant events such as Women's Day, Mothers' Day, Cancer Awareness Month and Women Entrepreneurs' Day, engaging the audience and contributing to broader societal dialogues. Leveraging its corporate webpage, Facebook fan page and other social media channels, the Bank disseminated information about its Women Banking initiatives and products through banners, posts and EDMs, ensuring widespread awareness and engagement among its audience.

The Bank's commitment to skill development was underscored by the extension of the PIM Certificate Programme for Women Entrepreneurs across various regions, including the Northern, the Southern and the Eastern areas. Successful programme completions in Jaffna, Galle and the Eastern region, alongside sessions in Colombo North and Uva Sabaragamuwa, highlighted the Bank's extensive regional outreach efforts.

As of the end of 2023, women-connected SMEs accounted for 51% of the Bank's entire SME loan portfolio, compared to 50% in 2022. The Bank provided facilities to over 15,000 women-connected SMEs, up from 14,000 in 2022 and served over 6,200 women-connected SME customers, up from 5,600 in 2022. Moreover, within the Bank's overall retail loan portfolio, women-connected retail loans represented 32% at the end of 2022 and 34.50% at the end of 2023.

Following the relaunch of the *Anagi* brand in 2022, the Bank successfully opened over 112,500 new *Anagi* Women's Savings accounts by the end of 2023, marking a growth of 21.3% compared to the number of accounts before the relaunch. The growth in the new female customer base recorded a 24.30% increase in 2023 compared to the previous year's growth of 16.5%.

Customer testimonials played a crucial role in illustrating the impact of Women Banking initiatives, with an inspirational video featuring PIM participants adding a personal touch to the Bank's endeavours. Furthermore, sponsorships of various media events and the launch of an online portal with IFC & GlobalLinker in March signified significant technological advancements, showcasing the Bank's commitment to embracing digital solutions.

The Bank's dedication to supporting women entrepreneurs extended beyond financial assistance, encompassing comprehensive skill development programmes and tailored non-financial services. Additionally, ongoing branch competitions, employee engagement initiatives, strategic partnerships and database marketing campaigns further demonstrated the Bank's unwavering commitment to empowering women and fostering gender-inclusive workplace practices. Through gender awareness training programmes at all levels and plans to establish a forum for staff suggestions on Women Banking initiatives, the Bank emphasised its commitment to creating an inclusive and collaborative workplace culture.

Sustainable finance for Micro and Agriculture sectors

The Bank demonstrates a robust commitment to Agriculture and Micro Financing, crucial for fostering financial inclusion and reaching under-banked and unbanked communities, thereby bolstering rural economies in particular. Leveraging specialised units like Agriculture and Micro Finance Units (AMFUs) and "Bank on Wheels" mobile banking units to enhance the Bank's outreach, the Bank extends its services to underbanked and unbanked communities, particularly in rural areas. With a strategic focus on strengthening the rural economy and averting potential food scarcity, the Bank has significantly increased its lending activities in rural and semi-urban regions and supports smart agriculture. Support for smart agriculture included concessionary funding for setting up greenhouses, modernisation of irrigation systems and mechanisation of tea plucking as well as conducting demonstrations on the use of drones for paddy cultivation in collaboration with technology partners. Training programmes conducted by the Development Credit Department for internal staff included microfinance and lending related to agriculture projects.

Facilities disbursed by the Bank for agriculture activities and under Microfinance credit lines as of December 31, 2023 are given below.

Facility	As at December 31, 2023	
	Number of facilities	Amount Rs. Bn.
Agriculture activities	17,941	120.682
Microfinance credit lines	6,694	2.017

In addition, the Bank's "Bank on Wheel" operations have facilitated 1,429 loans and opening of 1,172 accounts during the year 2023, bringing the total number of loans and opening of accounts so far under this facility to 2,127 and 13,093 respectively, further enhancing financial access in these areas. Additionally, through partnerships like the one with ADB, the Bank promotes initiatives like the ADB Funded Tea Development Credit line, benefitting 314 customers with loans totaling to Rs. 469.650 Mn.

The Bank's AMFUs focus on development of micro value chain financing, expanding access to finance for micro and agriculture sectors and grooming micro-enterprises into SMEs and beyond. The Bank currently operates 19 AMFUs covering 63 branches and has plans to expand the AMFU operation by adding further 11 units in the near future to cover 100 branches to aggressively promote micro and agriculture-based lending. This planned expansion of AMFU operations underscores the Bank's proactive approach to promote Micro and Agriculture-based lending, ensuring sustainable economic development in rural communities.

With the intention of transforming potential Micro entrepreneurs to registered entities and moving them to formal SME stream, the Bank commenced Dirishakthi Micro Grooming programme. During the year, 95 customers have been selected and are being groomed through the specially designed training programmes to enhance their knowledge on Business & Financial Management.

Further, in an effort to enhance value chains in rural regions, the Bank implemented five In-Kind Grant Programmes across Gampola, Mulliyawalai, Vavuniya, Welimada and Nelliyadi areas, benefitting over 370 farmers. These programmes aim to introduce technology, mechanise agricultural projects and improve infrastructure within identified value chains.

Maintaining transparent communication with customers

The Bank maintained transparent communication with customers through various strategies and initiatives. Firstly, it prioritised openness, honesty and accuracy in all communications, ensuring customers were well-informed about products, services and policies. This approach helped to establish credibility and trust, leading to increased customer loyalty and repeat business. Additionally, by providing clear information, the Bank managed customer expectations effectively, reducing misunderstandings and complaints while enhancing overall satisfaction.



Training programmes conducted by the Bank on improving financial literacy and capacity building

The Bank also actively addressed and resolved customer concerns and issues, demonstrating a commitment to customer satisfaction. Through prompt and honest responses to feedback, the Bank showed that it valued customer opinions, thereby strengthening customer relationships and turning potential negative experiences into positive ones.

Moreover, in the digital age, the Bank leveraged social media platforms to engage with customers proactively. By monitoring and responding to feedback and inquiries on these platforms, the Bank showcased its dedication to transparent communication and demonstrated a willingness to address customer concerns promptly. This proactive approach helped to maintain trust and strengthen customer relationships.

To ensure consistent and effective communication, the Bank had clear communication policies in place, outlining how it would interact with customers and address their concerns. It also invested in training employees to communicate effectively, empowering them with the knowledge and skills needed to provide accurate and helpful information to customers.

Overall, by prioritising transparent communication and actively engaging with customers, the Bank was able to build trust, manage expectations, resolve issues and stay ahead of the competition. This commitment to openness and honesty contributed to enhanced customer satisfaction and long-term success for the Bank.

Trilingual presence

The Bank has embraced a trilingual approach in its operations through various initiatives and strategies. These include the establishment of an Integrated Contact Centre in 2020, operating 24/7, allowing customers to connect with the Bank through multiple channels and languages for inquiries and assistance. This ensures that individuals from diverse cultural, religious and ethnic backgrounds can communicate in their preferred language.

Strategies adapted to improve customer experience and sustainability within contact centre.

• Green initiatives

Establishing a centralised knowledge hub within the Contact Centre aimed at enabling operations without the reliance on physical paperwork, enforcing a no-paper policy for Contact Centre agents at their workstations

• Customer engagement

Educating customers and encourage them to use digital channels for their day-to-day Banking operations and communication to the Bank.

Engaging with customers through Outbound calling campaigns to create awareness on banking apps and enrolling them with credit card e-statements instead of the paper statement.

• Employee engagement

Assigning a leader to the unit to spearhead sustainability efforts and raise staff awareness to reduce energy usage.

• Automations with technology utilisation

Implementing IVR (Intelligent Voice Response) to automate specific functions to enhance customer convenience.

Implementation of **"Chat Bot"** to provide quick seamless information through the bank official web portal.

Setting up a customer relationship management solution, **"The Service Portal"**, internally to manage customer complaints and services requests within the specified Service Level Agreement, ensuring exceptional service delivery and customer satisfaction.

Furthermore, the Bank's on-site customer service teams are proficient in three languages, ensuring that customers receive support in their chosen language. The Bank's website has been revamped to offer content in English, Sinhala and Tamil, catering to users' language preferences and enhancing accessibility to information. Introducing digital receipts in multiple languages, accessible via SMS for ComBank Cardholders, further reinforces this commitment. The Bank enabled trilingual accessibility for "Bank with ComBank on Viber" for enhanced user convenience. The Bank launched trilingual service for Q+ Consumer payment app

with a view to attract Island wide mass market in to digital space. Overall, these efforts underscore the Bank's dedication to accommodating customers from various linguistic backgrounds and providing a seamless banking experience for all.

Some of the banking products and services now available with a trilingual presence are given below.



Driving customer engagement and market expansion

The Retail Products and Marketing Department has been actively engaged in enhancing customer reach through both traditional ground-level activities and modern social media interactions, with the aim of establishing direct communication channels with customers. Furthermore, promotional campaigns have been executed across various media channels to bolster the performance of product divisions and help them achieve their targets effectively.

Moving forward, strategies will revolve around introducing innovative products, optimising the channel mix, targeting specific markets and enhancing customer profitability. This approach is aligned with the Bank's commitment to driving value for stakeholders by implementing impactful marketing strategies, expanding product offerings and ensuring a customer-centric approach across all activities.

In the year 2023, the Bank commemorated 20 years of remittance operations by pioneering a sophisticated yet a simple web base money transfer system two decades ago to serve over two million Sri Lankans overseas. Today the Bank is one of the strongest players in the remittance business serving thousands of Sri Lankans who are working in many countries, world wide.

The Bank is further undertaking strategic initiatives to improve its ranking in the remittance market. This includes repositioning Bank representatives in emerging markets and collaborating with international Money Transfer Operators, Exchange Houses and International Banks to serve our focus customer segment in offering more benefits and convenience in this business vertical. Another 1st in the industry was the "RemitPlus App" which was introduced to its remittance stake holder to offer tailor made solutions while also taking steps to integrate systems with emerging technologies to offer speed, security and customer experience.

Specifically, there are plans to strategically reposition remittance partners in emerging markets to further establish the bank's footprint in potential markets. These efforts signify the Bank's dedication to strengthening its presence and competitiveness in the remittance market.

An expanding ecosystem

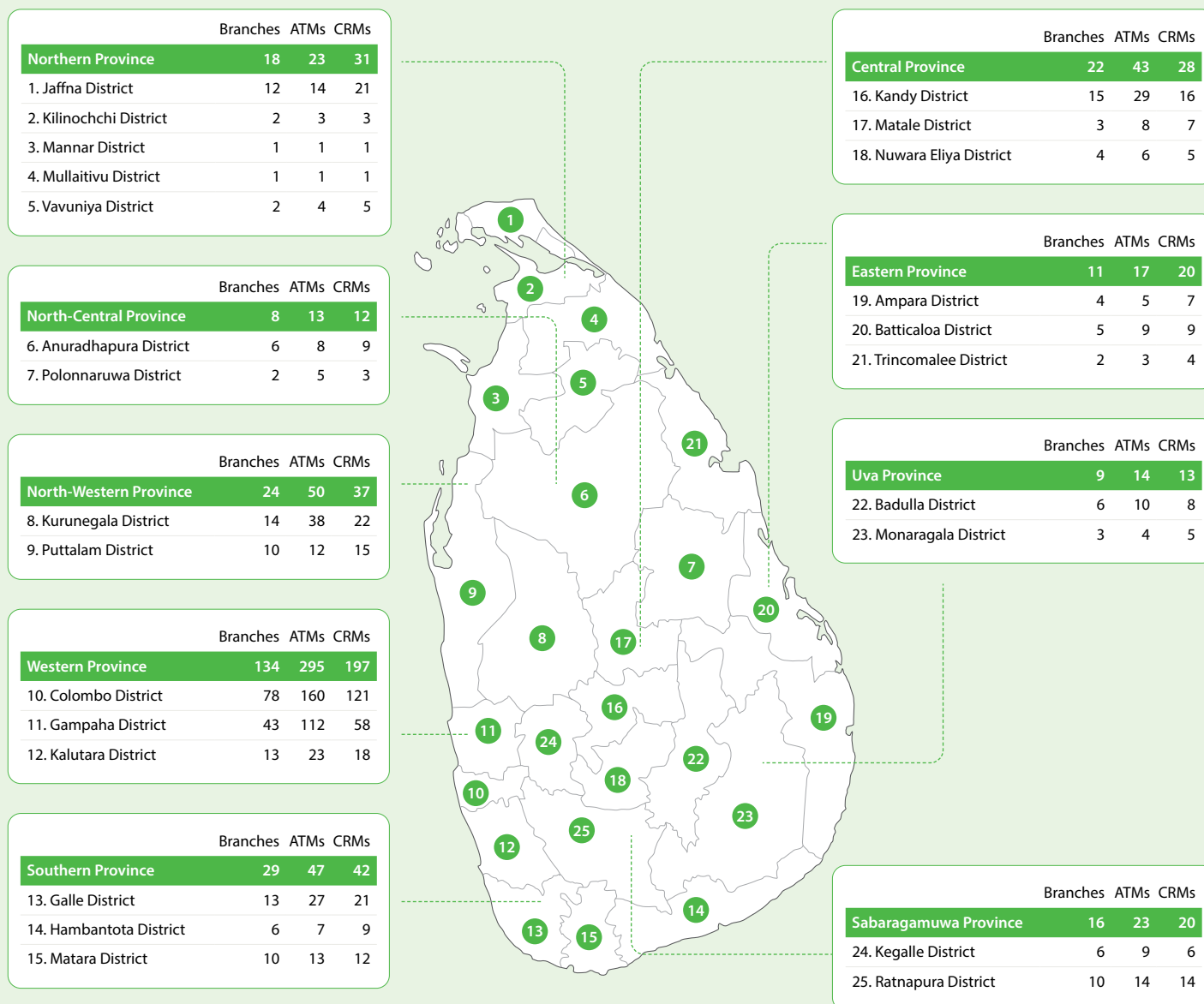
The Bank grew its branch network by opening branches in Anamaduwa and Kanthale during the year.

In year 2023 the Bank commemorated 20 years of remittance operations by pioneering a sophisticated yet a simple web base money transfer system 2 decades ago to serve over two million Sri Lankans working overseas. Today the Bank is one of the strongest players in the remittance business serving thousands of Sri Lankans who are working in many countries, worldwide.

Network of delivery points in Sri Lanka and Bangladesh

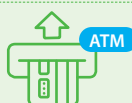
Network of delivery points in Sri Lanka

Figure - 21



Number of
Branches

271



Automated Teller Machines
(Off-site* = 198)

525



Cash Recycler Machines
(Off-site* = 26)

400



Cash Deposit
Machines

38



Envelop Deposit
Machines (for cheques)

16

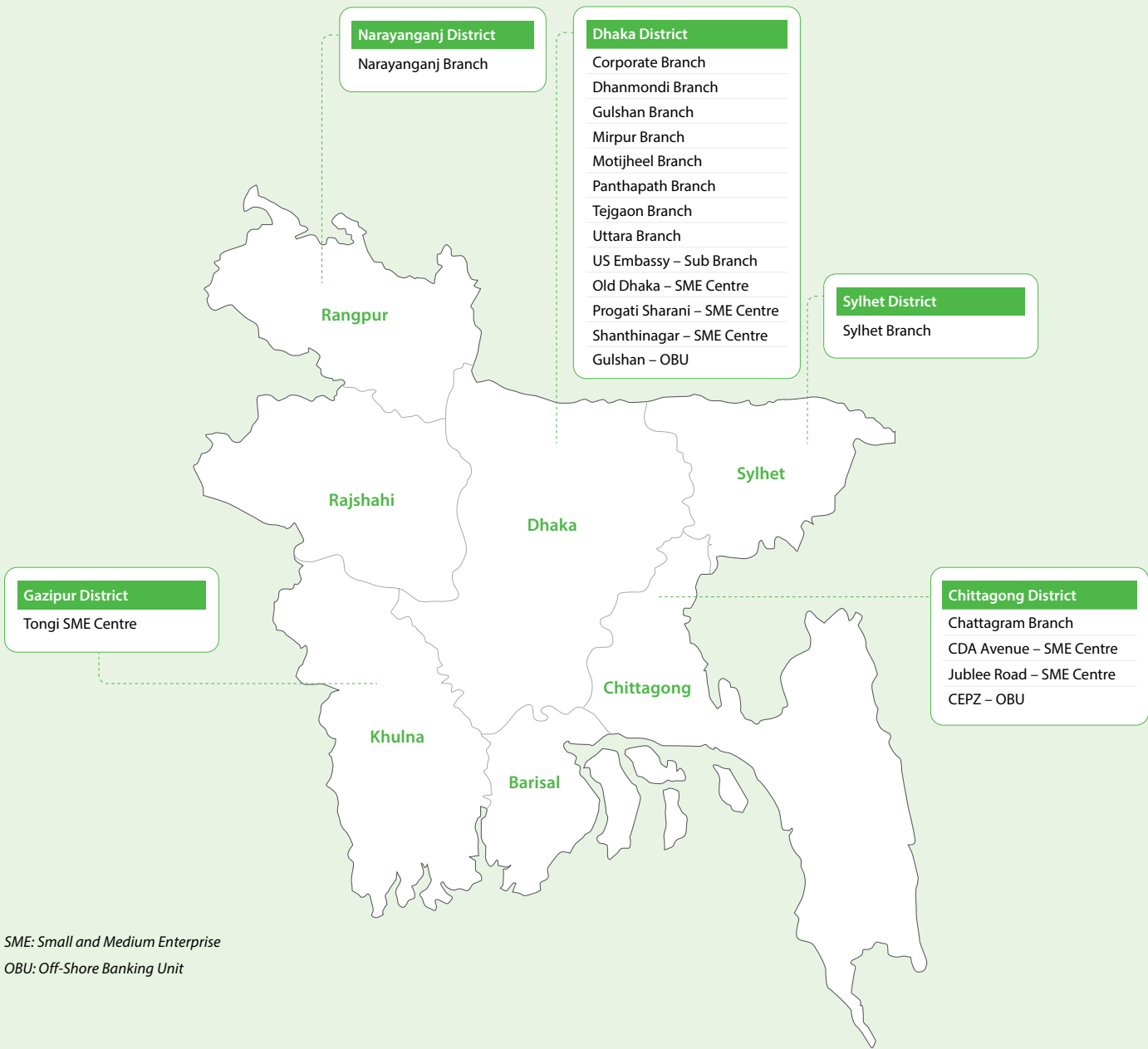


Automated Cheque
Deposit Machines

20

* Included in the above total

Network of delivery points in Bangladesh Figure - 22



				
Number of Branches	Automated Teller Machines (Off-site = 7)	Cash Deposit Machines	Envelop Deposit Machines (for cheques)	KIOSK
20	23	1	1	1

New product developments/enhancements

The Bank introduced several new products and made enhancements to existing ones to better cater to the needs of its customers. Among the new offerings, a 4-month Fixed Deposits Scheme was launched, providing customers with a flexible savings option. The Bank revamped its Isuru Minors' Savings Plan and the Millionaire Investment Plan, aiming to provide more attractive benefits to customers.

Notably, an exciting feature was introduced to the *Anagi* Women's Savings Account, entitling their children to a free minor savings account with an initial deposit of Rs 500, fostering financial education from a young age. Further, the ability to perform digital transactions was extended to DotCom Teen Savings Account holders, granting teenagers aged 16 and above fund transfer and bill payment options, promoting financial independence and responsibility from an early stage.

During the year, Personal Foreign Currency Account holders were entitled to a free debit card and digital banking facility with no joining fee and a waiver of the first-year annual fee enhancing the value addition. Furthermore, customers investing in FCY Fixed Deposits with the Bank were given the opportunity to obtain a free premium credit card with no joining fee and annual fee and other value added benefits including complimentary airport lounge access, free travel insurance and other merchant discounts.

In terms of lending, new product launches included Green Home Loans, a revolutionary offering with special benefits to customers obtaining loans to construct or purchase a house with a Green Building Certificate issued by the Green Building Council of Sri Lanka. Green Home Loans are also available to customers who wish to implement other green initiatives such as installing solar power systems, waste and rain water management systems and composting systems. The Bank also introduced step up leasing, a scheme that provides salaried professionals the option to structure their repayments, taking into consideration the projected incremental employment income.

Process improvements

The implementation of an approval workflow for Facilities Against eFDs has brought about significant advantages for stakeholders, including customers and staff members. This advancement has largely eliminated the need for manual appraisal raising in Loan Origination System, thereby freeing up staff time for other tasks and considerably reducing the turnaround time (TAT) for the product. Moreover, this development sets the stage for the complete automation of the approval and disbursement process for Facilities Against eFD.

Efforts have been made to streamline the account opening process for Millionaire Investment Plans, simplifying procedures to minimise technical errors. Additionally, the automation of the Certificate generation process for Millionaire Investment Plans has eradicated delays associated with manual preparation.

Innovative systems have been devised to enhance the efficiency of back-end functions related to Pawning, alleviating the burden on branch teams and line management by simplifying approval processes. Initial steps have also been taken to offer Pawning customers enhanced value through Special LTV, recognising valued banking relationships.

In the realm of innovations, the Retail Products Department introduced the *"QuickSales"*, a Retail Sales Management App to expedite processes and reduce costs associated with submitting retail facility applications and documentation. This app enables Sales Agents to request retail facilities and upload related documents without the need for physical travel between customer locations and branches. It also extends the benefits of business leads to branches beyond the Sales Team's physical reach, facilitating transactions between customers and outstation branches. Additionally, the QuickSales App offers performance dashboards, enabling users at various levels to monitor open workflows effectively.

Further, as a specific initiative the Bank stopped using receipts at ATMs contributing to the overall strategy of reducing operational expenses while maintaining uninterrupted services.

Leading through innovation

Innovating to enhance the quality of stakeholder interactions and experience

Digital strategy

The Bank's transition towards a digital-first approach is evident in its strategic evolution over the years, progressing from emphasising technology leadership to enhancing digital usage and prioritising customer experience.

- **2019** Lead through Technology
→ Lead digital usage → Lead in customer experience
- **2020** Reach out to popularise digital channels to reach high
- **2021** Let's innovate to launch pioneering new products, acquire new relationships, improve speed of delivery
- **2022** Lets transform together for future ready Bank
- **2023** Power to you

Investments in the Bank's digital ecosystem have laid a strong foundation, enabling it to tackle emerging challenges and excel in the digital payment landscape. Through innovative initiatives and technological advancements, the Bank has emerged as a leader, benefitting both retail and corporate customers.

Remaining committed to fostering a digital culture, the Bank actively recognises and implements digital initiatives, leveraging integrated technologies and striking a balance between traditional and digital channels. It integrates legacy systems, conducts strategic experiments, facilitates smart interactions and enhances the digital experience for stakeholders. The Bank's digital efforts have garnered recognition, earning awards and accolades. As the top facilitator of CEFT transactions in Sri Lanka, the Bank recorded over 19.2 million transactions worth Rs. 2,361 Bn. in outward CEFT and over 25.9 million transactions worth Rs. 2,307 Bn. in inward CEFT transactions in 2023. Stakeholders have embraced digitalisation, demonstrating increased proficiency in navigating the digital learning curve, leading to broad acceptance of digital banking. Consequently, the Bank observed a robust 46% year-on-year growth in its digital banking retail customer base, while its digital banking business customer base exceeded 72,000 users.

Investments in IT infrastructure

Table – 11

Indicator/Year	2023 Rs. Mn.	2022 Rs. Mn.	2021 Rs. Mn.	2020 Rs. Mn.	2019 Rs. Mn.
Investments in Hardware (Computer Equipment)	1,450	2,441	434	506	568
Investments in Software (Licenses etc.)	1,116	2,218	768	409	387
Total	2,566	4,659	1,202	915	955

Migration to digital channels

Table – 12

Indicator/Year	2023	2022	2021	2020	2019
Number of existing customers migrated to online banking	335,322	265,183	212,806	157,599	109,873
New customer acquisition through digital channels	8,504	9,539	12,491	16,327	14,957

Total financial transactions initiated through digital channels

Table – 13

Indicator/Year	2023	2022	2021	2020
Number of transactions (Million)	58.265	49.087	37.842	23.724
Value of transactions (Rs. Bn.)	4,581	3,586	2,356	1,386
% of customer transactions below Rs. 200,000	94	94	92	97
Growth in number of transactions (YoY) (%)	19	30	60	10
Growth in value of transactions (YoY) (%)	28	52	70	22

The Bank was awarded the title of "Best Bank for Digital Solutions in Sri Lanka" for the year 2023 by the esteemed UK-based Asiamoney Magazine. This recognition further solidifies the Bank's standing as a frontrunner in digital innovation within the country.



Digital roadmap 2023–2025

In line with the Bank's digital vision of fostering a digital economy that caters to every customer's technological proficiency, the Bank's digital strategy primarily targets retail customers, encompassing a wide array of products, services, processes and interaction points. The forthcoming digital transformation, spanning the next two years, is guided by the following objectives:

- Service transformation to achieve service excellence.
- Operational transformation to be more efficient and effective.
- Digital transformation to reaffirm digital leadership.
- Talent transformation to enhance performance.

Digital Penetration

36% – 2023 (29% – 2022)

As part of this strategy, the Bank reaffirms its dedication to continuous investments in the conversion of conventional banking procedures into digital workflows. Emphasising seamless integration with external ecosystems and the improvement of internal systems takes precedence to ensure flexibility amidst anticipated changes in regulatory and risk management frameworks. Alongside these initiatives, the Bank will concentrate on re-skilling its staff and acquiring talent in specialised areas, forging strategic partnerships and fortifying its data capabilities, highlighting the ongoing areas of focus.

The Bank's commitment to be at the forefront of technological innovation and efforts to continually strive to develop cutting-edge products and services that cater to the evolving needs of its customers is evident from the following array of products.

ComBank Digital

The Bank has achieved groundbreaking status in the banking sector with the launch of **"ComBank Digital"**, the country's first Omni-channel online banking solution. Currently, ComBank Digital boasts a sizable user base of approximately 1.2 million subscribers and efficiently handles an average of over three million financial transactions each month. This solution has garnered widespread praise from users, solidifying its position as the top-rated Sri Lankan financial app in the AppStore.

ComBank Digital is easily accessible via a responsive web application and three native mobile applications, ensuring compatibility with various devices, including desktop Personal Computers, laptops, tablets and smartphones. The platform is equipped with internationally recognised user security features that adhere to industry standards, providing users with peace of mind.

Moreover, "ComBank Digital" offers a comprehensive range of services, catering to various banking needs such as basic account inquiries, bill payments, fund transfers, instant payments to government institutions, international fund transfers, fixed deposit investments, credit card payments, savings goal setting, convenient transfer orders and loan applications, covering every aspect of a customer's banking requirements.

Additionally, the platform introduces several pioneering features, including the integration of **"Widgets"** for added convenience, the ability to create savings **"Objectives"** to assist users in achieving their financial goals, automated redemption of **"eFDs"** (electronic fixed deposits), creation

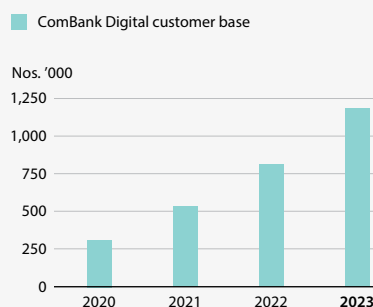
of secondary accounts like **"eSavings and eMoney market accounts"** and the provision of a dedicated mobile banking application tailored specifically for business customers, highlighting its commitment to delivering a unique and personalised banking experience.

Enhancing the platform's capabilities are various user-friendly self-assisted functionalities, including automatic password recovery, customisable alert setups, management of transaction limits, 24/7 instant payment capability and a dedicated YouTube channel for user awareness. Moreover, informative features such as viewing images of issued and deposited cheques, self-managed services like alert delivery and alert setup management, beneficiary creation, Bank Statement download in PDF format, request for card replacements and graphical representations for exchange rate inquiries to track fluctuations are incorporated. Robust security features allow users to block credit/debit cards when needed and facilitate secure communication with the Bank through attached documents and a comprehensive message reply history, collectively providing a comprehensive and secure banking experience.

Recent upgrades to the ComBank Digital platform encompass several key enhancements. These include the addition of an OTP auto-fill option for user convenience, improvements to cyber receipts to enhance transaction security, the introduction of a multilingual application to cater to diverse user needs and the activation of cards/cards PIN reset feature for enhanced user control and security. Furthermore, enhancements to the Biller Module are currently underway and will be implemented shortly to further improve the platform's functionality.

Commercial Bank has expanded its digital platform to its overseas operations in Bangladesh and Maldives as well.

Graph – 17: **ComBank Digital customer base**



eFDs opened during the year as a percentage of total FDs opened

50% – 2023 (27% – 2022)

Flash toolkit

The **"Flash Digital Bank account"** was introduced with a focus on the digitally inclined new generation, catering to their preference for digital banking channels. A standout feature of self-registration ensures a seamless onboarding experience, distinguishing the app from competitors. The Flash app offers a comprehensive suite of financial services and wealth management tools. Notable features include the introduction of the **"Flash Teen Digital Bank account"** under the name **"Flash Fam"** for teens, non-face-to-face customer onboarding via Digital KYC and the release of Flash 4.2, with a new look and feel.

The Flash Digital Bank Account received recognition at the 2023 NBQSA ICT Awards and planned to allow all Sri Lankans working abroad to open an account. Key features include tri-lingual accessibility, a unique Hospitalisation Support Insurance Plan, fund transfers, actionable alerts, biometric login, savings targets, group payments, QR code and NFC payments and spend tracking.

Future plans include enabling a Smart loan facility, expanding to other corridors, introducing an In-app Virtual assistant, launching transactional wearable banking and implementing voice banking. Additionally, partnerships with Fairfirst Insurance enhance the offering, with further plans to introduce more innovative features.

Flash was selected as the Best Digital Account by Global Retail Banking and Innovation Awards 2023, The Digital Banker Magazine Singapore and also represented Sri Lanka at AICTA Awards 2023 held in Hong Kong.





ePassbook

The Bank has launched the “*ePassbook*” facility, a mobile application enabling account holders to conveniently access and view their account transactions on Android or Apple smartphones, online and offline. This feature mirrors traditional savings passbooks, offering a comprehensive account history and real-time transaction view. Eligible account holders can self-register via the “ComBank ePassbook” app without branch visits, with options for authentication preferences. The service is free and provides benefits such as balance checks, transaction views and account nickname settings for easy reference. Additionally, users can access exchange rates, interest rates, ATM/Branch locations and search transactions by key names. They also have the flexibility to self-enroll/remove accounts.

WhatsApp Banking

Commercial Bank has pioneered the introduction of “*WhatsApp Banking*”, becoming the first bank in Sri Lanka to offer this innovative service. This initiative underscores the bank’s commitment to utilising cutting-edge technologies to enhance customer experiences. Through WhatsApp Banking, account holders can conveniently access features such as Account Balance, Account History and Cheque Book requests. Additionally, both customers and non-customers can inquire about Fixed Deposit rates and foreign exchange rates. The platform also allows for self-registration with the ComBank Digital app and facilitates the opening of new accounts through the Flash Digital Bank Account, ensuring a seamless and efficient banking experience. The benefits of WhatsApp Banking include its safe, secure and contactless nature, offering up-to-date banking information at no cost. Furthermore, the service caters to both account holders and non-customers and enables the online opening of accounts.

Additionally, WhatsApp Banking facilitates loan leads, forwarding successful loan requests to the Retail Products Department.

Bank with ComBank on Viber

“*Bank with ComBank on Viber*” extends accessibility to all Commercial Bank customers with registered mobile numbers, as well as non-customers interested in opening an account with Commercial Bank, ensuring inclusivity. This service offers real-time customer support and utilises an AI Chat-Bot to provide banking services 24/7, enhancing user experience. With trilingual accessibility, users can conveniently engage with the platform. Benefits include the ability to check account balances, view account history (last three transactions), place Cheque Book requests, inquire about Fixed Deposit rates and Exchange Rates. Users can also self-register or access the “ComBank Digital” platform and open a new account through the “Flash Digital Banking App.” Additionally, loan applications for Personal Loan, Home Loan and Leasing are available through this service, providing comprehensive banking solutions.

Paymaster

“*Paymaster*” provides an efficient solution for consolidating various payment processes, spanning employee salaries, supplier payments, interests, dividends, agent commissions and statutory payments. Users can easily upload ETF/EPF contributions and surcharges digitally through Paymaster, enhancing security and bypassing the challenges associated with cash and cheques. Notable features include bulk payment capabilities, real-time credit to ComBank and other banks, round-the-clock payment access and flexible authorisation levels. Accessible via web or mobile app, Paymaster processes transactions above Rs. 5 Mn. via RTGS. Benefits encompass reduced risk in cash transportation, streamlined manual payment

processing, immediate disbursement to both Commercial Bank and other banks, lowered transaction costs and connectivity to Commercial Bank’s extensive network of branches and ATMs. With Paymaster, users enjoy enhanced security and convenience, eliminating the need for traditional payment methods like cash and cheques.

Future plans include enabling this capability through Host-to-Host (H2H) services enabling corporates to seamlessly integrate their ERP systems with that of the Bank for a real time 24/7 corporate payments.

Advancing card and cashless initiatives

The Bank has implemented a comprehensive strategy to promote card and cashless initiatives, utilising AI-based algorithms and predictive modules to identify and address specific gaps. Through the deployment of an AI-based data analytic tool by the Card Centre, transaction visualisation, segmentation, promotion and churn prediction modules have been facilitated. Various innovative products and services have been introduced to meet evolving customer needs and industry trends.

Among these initiatives, the introduction of “*Visa Direct*” and “*MasterCard Send*” card-based fund transfer facilities has notably enhanced functionality and convenience for debit and prepaid cardholders, allowing them to transfer funds to any locally-issued Visa and MasterCard debit, credit, or prepaid card through the Bank’s ATMs, CRMs and Q+ Payment App. Additionally, the Bank pioneered card acceptance through Android smartphones in Sri Lanka, enabling merchants to conveniently and cost-effectively accept card payments using their mobile devices via the “Tap to Phone” feature, thereby revolutionising the digital payment landscape.

In collaboration with LankaPay, launched a national credit and debit card with international acceptance. This is the first launch of LankaPay Credit Cards in Sri Lanka and the first time five variants of LankaPay cards—three credits cards and two debit – cards were launched by a Sri Lankan Bank. This National Card Scheme is an initiative implemented by LankaPay in partnership with JCB International Co. Ltd.

In efforts to promote sustainability, the Bank has replaced paper receipts with digital receipts for ATM and CRM withdrawals, reducing paper waste and supporting environmental conservation. Furthermore, initiatives aimed at expanding digital reach include the enhancement of the Q+ Payment App, the introduction of a missed call SMS

facility for checking credit card balances and the launch of Simplified Commerce – SimplePay facility to facilitate digital payments, particularly for SME merchants. Additionally, the Bank has enabled the Send Money facility to any local bank card through ComBank CRMs, further enhancing customer convenience.

The Bank's commitment to innovation and service excellence is evident in its launch of 90 new products and services since 2016, with 30 of these being "Sri Lanka's first" launches. These include groundbreaking initiatives such as the introduction of the 1st LANKAQR supported Android POS machine, UnionPay QR facility for consumers and merchants, UnionPay Contactless Card issuance for Sri Lanka and the launch of the Q+ Payment App, among others. In terms of service standards and internal processes, the Bank focused on automating credit card capturing and evaluation processes, implementing a Smart Collect recoveries software, automating CRIB reports through a BOT, developing a workflow system for scanned image processing of a Credit Card and archival, Credit Card status report for Sales and Branches, developing a workflow system to handle all service requests for Debit and Credit Cards, implementing Mastercard Payment Gateway Services and Cybersource for IPGs and developing AI-based data analytics tools to support cardholder visualisation and monitoring.

New product and feature developments lined up for implementation in 2024 include Trilingual for Q+ Consumer payment app, WeChatPay & AliPay with LANKAQR, Enabling self-care features (Do it yourself) such as Card activation/deactivation, Customer initiated installment plans, PIN resets, etc., Popularising Card-less & Contactless transactions, further improvements to the ATM Interface including new convenient features, further feature enhancements to improve Card-less and contactless payments, implementing all modes of LANKAQR payments including addition of other Bank CASA and Cards.

Through these initiatives, the Bank has been able to facilitate growing digitalisation requirements for both cardholders and merchants, expand Digital Bill Payments options by creating additional channels, facilitate Central Bank initiatives in growing and popularising QR code based payments as a low cost, instant & convenient payment acquiring solution for merchants and comply with latest global security and compliance requirements for payment cards industry.

Since 2016, Commercial Bank's cards have experienced rapid growth, becoming the fastest-growing cards in Sri Lanka and dominating the market with a 23% share in combined credit and debit card spending, by the end of 2023. Additionally, by the close of 2023, Commercial Bank ranked second in overall card acceptance in Sri Lanka, according to both Mastercard and Visa. The Bank's Point-of-Sale (POS) network has earned recognition from Visa for having the highest coverage in Sri Lanka, available at numerous locations across the country. Equipped with 'Tap n Go' NFC technology, Commercial Bank's cards are supported by a robust NFC POS network. Moreover, the Bank's credit and debit cards offer continuous promotions and Easy Payment Plans for a wide range of products and services. Notably, Commercial Bank was the pioneer in offering loyalty rewards for both credit and debit cardholders through its Max Loyalty Rewards scheme. Furthermore, it stands out as the sole bank in Sri Lanka to provide Visa, MasterCard, UnionPay and LankaPay JCB brands for both card issuance and acquiring, enhancing its versatility and accessibility in the market.

- **Growth in Credit Card Portfolio YoY**
 - Issuance Growth – **27%**
 - Usage Growth – **24%**
- **Growth in POS Terminals YoY**
 - POS Terminals – **17%**
 - POS Transaction Volume – **57%**
 - POS Transaction Value – **42%**
- **Growth in customer registrations for Q+ Payment App YoY**
 - Card Added Customer Base – **92%**
- **Growth in LANKAQR Merchants YoY**
 - LANKAQR Merchants Growth – **20%**

Strategic partnerships for co-branding:

- Card Schemes – VISA, MasterCard, UnionPay, LankaPay JCB
- Co-branded Credit Cards – Mobitel, Sri Lanka Insurance Corporation, Nuwara Eliya Golf Club (NEGC)
- Affinity Credit Cards – Wesley College, Dharmaraja College, Maris Stella College, St. Anthony's College and Dharmasoka College
- Co-branded Debit Card initiatives – Insee, JAT
- Integration of PayHere with Q+ Payment App
- Enabling "Tap to Phone" Card Acceptance through PAYable
- Three Send Money Options via Q+ Payment App; Card to Account, Card to Card and Card to PEN
- Digital Receipts for ATM/CRM Withdrawals

Technology roadmap

The Bank is embarking on an ambitious endeavour to bolster its technological infrastructure and digital capabilities, aligning closely with its commitment to offer best customer experience while enhancing operational efficiency, augmenting security and enabling expanding operations to new revenue lines and geographies with minimum distractions and effort. The Bank has a unified technology roadmap that encompass plans for digital, IT, security, analytics etc. which will on one hand address capacity enhancements while others are for augmenting customer functionality.

This required completion of a few core projects that got postponed due to disturbances from the operating environment, on a priority basis. These included upgrades to software and hardware platforms to enhance capacity, a new enterprise infrastructure in terms of perimeter/virtual firewalls, networks and switches and reaching an agreement for a new blueprint for our systems architecture. In terms of upgrades, the Bank implemented a new AS400 system alongside upgrades to key platforms like ComBank Digital and Flash in 2024 while upgrades to the

software stack included T4S Teller system, Loan Origination System (LOS), new Treasury System and a data loss prevention system. Projects in the pipeline include an Identity and Access Management System, MicroService implementation, Corporate Banking Digital Platform, Interactive bank and card statements. Further, the Bank has plans to enhance lower counter operations by automating customer interactions that take long time (such as account opening) through an integrated device. Most of the branch operations will be centralised, thereby relieving the branch staff for customer engagement.

With the implementation of the plans in the Roadmap for the immediate future, the Bank will be offering fully automated approvals for personal loans, leasing and housing loans (to some extent) and credit cards online, particularly for existing customers. The planned implementations will also enable the Bank to scale up operations efficiently and cost effectively. A customer experience measurement platform too will be implemented shortly which will tag customer transactions for feedback to obtain insights on customer interactions with the Bank and identify improvements required. This will enable the Bank to gradually standardise service quality across all the touch points in the network which will help the Bank to differentiate its offering. The Bank expects to make a paradigm shift in its sales culture through the implementation of a CRM system with added functionalities such as sales tracking from end to end. The Bank aims to encourage digital usage among customers through robust loyalty programmes, leveraging data analytics and AI-driven predictive modeling to personalise offerings based on historical data insights. The Bank will enable host-to-host (H2H) connectivity for corporate customers enabling them to connect their ERP systems to the Bank. With the guidance of a consultant who is already on board, the Bank will augment its data analytics capabilities and data visualisation and build use cases to address pain points in the operations. The Human Resources Information System will be upgraded for better talent management.

These efforts underscore the Bank's dedication to continuous improvement and its pursuit of digital excellence. Through these multifaceted initiatives, the Bank aims to leverage technology, data analytics and AI to elevate customer experience, streamline processes and maintain a competitive edge in the ever-evolving digital landscape.

Operational excellence

Enhancing operational efficiencies for better productivity and customer service

In 2023, the Bank continued to navigate the dynamic landscape shaped by the unprecedented challenges of the previous years. The lessons learned from the disruptions over 2020-22 prompted the Bank to further strengthen its adaptability and operational resilience. The cultural shift towards remote work and technology-enabled operations, catalysed by the global impact of COVID-19, remained a focal point. Embracing the evolving paradigm, the Bank continued to prioritise virtual collaboration, flexible work hours and net productivity models. Recognising the necessity of breaking away from traditional approaches, the institution diligently implemented readymade, time-tested systems. This strategic shift enabled the Bank to proactively address emerging threats and solidify its position as a fast learner in the continually evolving landscape defined by the “new normal” of the post pandemic era.

The notion that learning requires unlearning implies a willingness to embrace change, allowing it to foster a range of new developments. These transformations encompass reduced face-to-face interactions, a proliferation of digital communication apps and software and a gradual shift toward

nurturing a remote workforce, altering the traditional dynamics of work and business.

In the past year, the Bank demonstrated notable progress in adapting to the evolving paradigms triggered by the pandemic. Fueled by integrated thinking, the institution implemented customised insights and forward-thinking designs, propelling it toward new milestones and maintaining control over both foreseeable and distant futures.

Functioning as a finely tuned financial engine, the Bank ensured seamless coordination among its functional divisions, fostering synergies that contributed to value creation. Looking ahead to 2024 and beyond, the banking operations aspire to uphold the same ethos, aiming to ascend to greater heights through a dual strategy of leveraging strengths and maintaining agility to navigate the intricate operating landscape. The Bank is gradually executing a systematic digitalisation strategy to streamline and automate work processes with the objective of widening the scope of its commitment to a paperless operational environment.

The numerous awards and accolades garnered by the Bank bears testament to the strength, innovation and resilience of the Bank. Please  refer the list of awards on pages 35 to 37.

Key productivity and efficiency ratios depicting operational excellence are given below:

Productivity and efficiency ratios

Table – 14

	2023	2022	2021	2020	2019
Cost to income ratio (Including taxes on financial services) (%)	40.31	29.22	37.97	39.96	49.41
Cost to Income ratio (Excluding taxes on financial services) (%)	36.11	26.29	31.61	33.95	38.51
Revenue per employee (Rs. Mn.)	64.559	53.787	31.720	29.605	29.377
Profit per branch (Rs. Mn.)	70.313	79.480	82.251	57.050	59.320
Profit per employee (Rs. Mn.)	3.934	4.485	4.654	3.238	3.363

A transformed working environment

In 2023, the Bank underwent strategic transformation in the realms of financial intermediation and maturity transformation, aiming to ensure seamless service delivery to stakeholders through the adoption of the Business Continuity Management (BCM) framework. Throughout this process, the Bank maintained a steadfast focus on prioritising its human resources, delivering exceptional services to customers and safeguarding the health and well-being of its employees. Additionally, the Bank remained committed to meeting regulatory obligations and upholding principles of good governance at all times.

The key principles of the BCM include,

- Support the Bank's core banking systems and assuring that all mechanisms and processes are marshalled by the Bank's guiding principles to ensure service continuity.
- Ensure availability of the systemically important payments and securities settlement systems by meeting the predefined service levels after a disruption.
- Minimise the financial, legal and other operational risk associated with disruption of operations or failures.
- Protect human life and ensure minimal exposure to hazards and dangers within the Bank's ecosystem.
- Safeguard the Bank's image and reputation.
- Minimise the impact of disruption and ensure that maximum resources were streamlined to resume normal operations by implementing effective incident and crisis management and business continuity.

Risk aversion and management

The Bank maintained effective management of its risk appetite and tolerance, particularly amidst the challenges confronting the banking sector. Emphasis persisted on preserving the loan book's quality, handling interest rates and liquidity and enhancing compliance to minimise reputational risks.

The incorporation of risk-control self-assessment exercises, regular evaluations of risk management processes and tools and scrutiny of Key Risk Indicators (KRIs) became ingrained in the Bank's culture. Pragmatic adherence to relevant laws, regulatory guidelines and internal controls across all business operations underscored the Bank's adept risk management. Critical risk domains encompassed credit, operational, market, liquidity, IT and other factors that could adversely impact the Bank's sustained growth, influencing both governance and operations.

In 2024, the Bank is poised for prudent, cohesive and sustained growth while strategically leveraging key risks to enhance confidence. A crucial aspect of this approach involves managing emerging risks, including model risk, conduct risk, bribery risk, among others, to foster sustainable value creation for its stakeholders.

The transformation of the banking model

The banking industry is undergoing a significant transformation marked by heightened competition from expanding utility companies and emerging Fintechs, the transformative impact of blockchain and cryptocurrencies facilitated by digitisation and increasing regulatory and compliance pressures. Additionally, banks are entering a new era where they must proactively

manage risk exposures without historical precedent, with a limited timeframe to adapt to emerging scenarios.

Technology is reshaping the landscape of the banking sector, necessitating a surge in digital products. This shift demands an enhancement of digital literacy, both externally for customer interfaces and internally for employees who need to excel in tailored systems. In response to the challenges posed by the COVID-19 pandemic, the Bank undertook a thorough review and revision of disaster recovery plans. This process considered the impact of the pandemic-related issues such as long COVID and co-morbidities on employee health and productivity.

Allocating resources to manage diverse risks and cultivating a positive risk culture throughout the Bank remained a top priority. This approach was championed from the highest levels, with the Board of Directors, the Board Integrated Risk Management Committee and the Corporate Management leading by example. Efforts included leveraging Early Warning Systems (EWS) with a heightened focus on real-time data and machine learning models, as well as gradually bolstering Foreign Currency Reserves to previous levels of strength.

Responsible organisation – Shared value

Commercial Bank is a responsible organisation due to its commitment to sustainable practices and values that enable it to create and share value in a sustainable manner. The Bank's operations are guided by principles and standards outlined in its Sustainability Framework, which include aligning with regulatory requirements, adopting a Group Conduct Risk Management Policy Framework, minimising negative externalities to the society and the environment and establishing a Sustainability Framework for sustainable banking, responsible organisation and community engagement. Additionally, the Bank emphasises good corporate governance, ethical conduct and stakeholder interests, ensuring that all employees adhere to a Code of Ethics covering various aspects such as preventing insider dealing, managing conflicts of interest and respecting communities and the environment.

It places a strong emphasis on good corporate governance, viewing it as a collective responsibility that serves as the foundation for financial integrity, sustainable value creation and investor confidence. The Bank conducts its affairs with utmost intellectual honesty, integrity and diligence, while also being mindful of its obligations to the society and the environment.

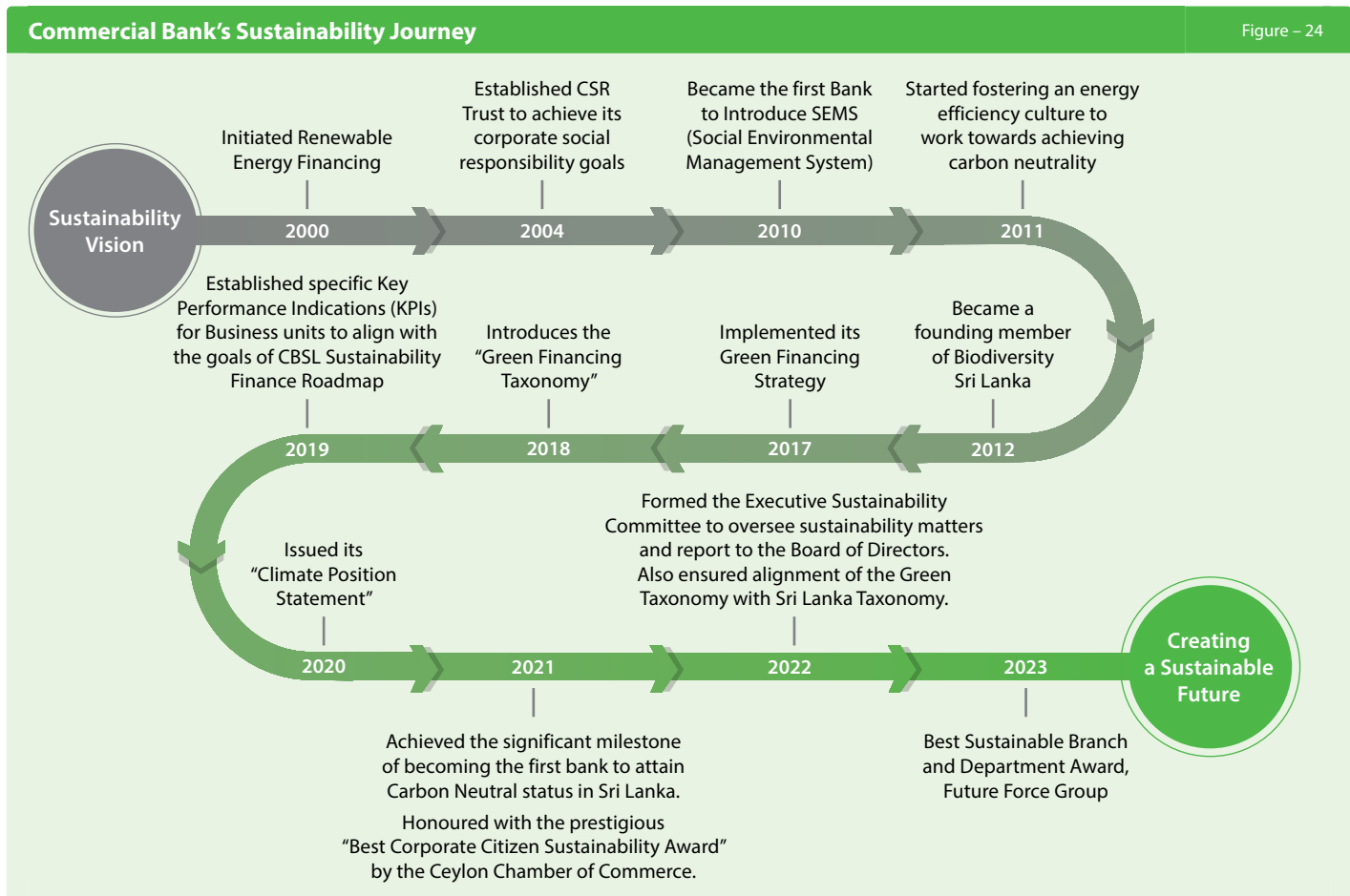
The Bank also places a strong emphasis on environmental engagement and conservation. It actively participates in initiatives to fight climate change and reduce its carbon footprint. The Bank became the first carbon-neutral bank in Sri Lanka in 2020 and on its way to be carbon neutral on its own by 2030, demonstrating its commitment to environmental sustainability. It engages in preventative, regenerative and restorative programmes to meet Sustainable Development Goals related to clean energy and responsible consumption and production.

Additionally, the Bank demonstrates its commitment to responsible practices through its approach to risk management. It carefully manages the risks associated with financial intermediation and maturity transformation, ensuring responsible value creation for its diverse stakeholders. The Bank actively identifies, assesses and remediates business risks through day-to-day decisions made by line managers and various management and Board committees.

As a socially responsible entity, the Bank fosters an environmentally friendly and secure workplace, promotes a supportive work environment and seeks sustainability throughout its supply chain.



Embarking on a steadfast sustainability journey, the Bank has established a long-standing legacy of sustainable initiatives as illustrated below:



Sustainability Objectives



Promoting environmental management within the workforce



Promoting environmental management among clients and communities



Conserving, enhancing and restoring ecosystems



Utilising proactive and innovative technology and ideas to support environmental management



Adopting Science Based Targets



Reaching net zero impact

Green and safe workplace

Managing the footprint and curbing the emissions



The Bank's green initiative focuses on preventive, regenerative and restorative programmes aligned with SDGs 7 and 12 and 13, which aim to achieve "Affordable and Clean Energy" and "Responsible Consumption and Production," and "Climate Action" respectively. By implementing best practices, the Bank strives to transform its ecosystem into a green powerhouse, ensuring that every green alternative adopted is either preventive or regenerative/restorative, thus promoting environmental sustainability.

Environmental Stewardship Approach and carbon neutrality

The banking sector inherently exerts a limited environmental footprint, with minimal utilisation of natural resources, negligible emissions and waste generation and not bound by mandatory environmental regulations. Yet, the Bank acknowledges that the mitigation of climate change is a shared obligation and endeavours to set a precedent and advocate for environmentally conscious corporate practices. The Bank's extensive "Climate Position Statement" exemplifies its proactive stance, defining its strategies for sustainable operations and environmental stewardship. The Bank attaining carbon neutrality status is a significant achievement, marking it a notable commitment to voluntarily reduce its carbon footprint by surpassing regulatory requirements. Aligned with its overarching

Sustainability Framework, these extraordinary commitments not only underscore the Bank's leadership in environmental sustainability and innovative approaches but also position it as a driver of positive change, inspiring other businesses to adopt proactive roles in safeguarding the planet.

Some of the measures that the Bank has endeavoured to reduce emissions are as follows:

- Introducing LED lighting across the Bank's branch network
- Investing Rs. 76.5 Mn. to commission solar systems at 11 Commercial Bank branches
- Replacing outdated water-cooling systems at the Bank's City Office with a new VRF system
- Optimising air conditioning systems at the Bank's Head Office

- Introducing auto-timed switch off of over 5,000 servers and workstations across the Bank's branch network
- Replacing 10 CRT monitors with power-saving LCD monitors
- Installing Turbine Ventilation at two offsite ATM locations to replace conventional Air Conditioning
- Installing sensor lights at ATM locations
- Converting Trincomalee and Jaffna branch buildings with eco-friendly features promoting sustainable construction.

One of the technologically advanced approaches is the "Flash" mobile application, which accurately measures the environmental footprint of customers and provides suggestions to mitigate the impact of their banking activities by offsetting greenhouse gas emissions.

The Bank was honoured to gain global recognition as one of the 25 banks worldwide dedicated to fostering environmental awareness among their customers. This acknowledgment occurred during the United Nations Climate Change Conference (COP 27), where Doconomy AB, a Sweden-based Impact-Tech Solutions company that enable banks to accelerate green transition, partnered with the Commercial Bank's Flash Digital Bank Account App, showcased a map illustrating the global presence of these 25 banks. Together, these institutions utilise Doconomy's environmental impact index to calculate the carbon footprint of transactions made through their respective apps, contributing to environmental conservation efforts.

Climate Position Statement of Commercial Bank of Ceylon PLC

Figure – 25

Commercial Bank of Ceylon PLC is the leading private bank in Sri Lanka. It also provides Banking and Financial Services to South Asian Countries. The Bank firmly believes that;



Natural resources are finite and need to be used sustainably



The transition to a low-carbon economy is essential and systematic transition does not only bring substantial benefits to the planet earth but lead to business and economic growth opportunities



It is imperative that global warming is limited to well below 2 Degrees Celsius and pursue effort to limit to 1.5 Degrees Celsius compared to pre-industrial level, as committed to the Paris Pledge for Action

The main geographic locations that the Bank operates; Sri Lanka, Bangladesh, Maldives and Myanmar are Nations with ambitious National Determined Contributions to limit the Greenhouse Gas (GHG) Emission for climate change mitigation. The Bank has duly identified its role in providing financial support to its customers in mitigating climate change effects through Climate Financing.

Even with the current levels of GHG Emission in the atmosphere, changes in the climate are likely and will impose serious consequences to many sectors in the economies. Adaptive actions are therefore necessary in addition to the efforts made to mitigate climate change. Further, Asia is regularly identified as one of the regions hardest hit by climate change. Hence, adaptation to effects of climate change through support to climate resilient agriculture, water resources management and disaster risk management, etc. are priorities. Accordingly, the Bank assesses climate risks and opportunities associated with banking activities and integrate climate adaptation considerations to the Banking Operations, as well as to its product and service offerings.

Climate Financing is a subset of the Bank's broader Green Financing commitment to positively contribute towards safeguarding the environment. Our Green Financing Strategy, reinforces the commitment to integrate climate change mitigation and adaptation actions and environment safeguard factors into its business strategies, risk management and governance.

Our desire is to align our operations towards NetZero by 2050, supported by a climate transition plan.

Renewable power generation

Prioritising the security of all stakeholders, the Bank strategically devised plans to gradually transition away from electricity generation via power generators. The goal is to replace this with solar panels wherever feasible, aligning with a broader movement towards cleaner energy. While not applicable to every Commercial Bank branch, the implementation of off-grid solar power generation is now a reality in 82 branches.

Power generated through renewable sources

Table – 15

	2023	2022	2021
Power generated through renewable sources (%)	16.09	15.09	2.35
Number of branches connected with off-grid solar power generation	82	71	66

Another initiative aimed at ensuring the continuous functioning of banking operations was cost optimisation. The Bank implemented an “open” idea box policy, inviting all employees to contribute suggestions on enhancing service delivery amidst volatile conditions.

Utility power consumption and GHG emissions

Table – 16

Year		2023	2022	2021	2020	2019
Total utility power (CEB/LECO) consumption	Gigajoules	46,971	38,416	42,906	45,045	50,296
Increase/(decrease) in utility power consumption	Gigajoules	8,555	(4,490)	(2,139)	(5,251)	338
Direct (Scope 1) GHG emissions	CO ₂ Tonnes	850	1,880	1,203	1,079	1,282
Energy indirect (Scope 2) GHG emissions	CO ₂ Tonnes	5,581	6,496	7,144	8,413	10,957
Solar power generated	Gigajoules	7,556	5,796	1,008	72	1,044
Solar power generated as a % of utility power consumption	%	16.09	15.09	2.35	0.16	2.08

Green Building

Being a leader in sustainable eco-friendly practices, the Bank made quantum leaps in going green, by implementing green architecture models, which are now synonymous with the Bank branches in Jaffna, Trincomalee and Galle Fort. This has helped to reduce carbon and water footprints. Going forward, more branches will be equipped with renewable energy generated from solar panels to streamline the Bank's sustainability focus.

Trincomalee branch building

The Trincomalee branch building was awarded a Gold rating under the Green Building awards presented by the Green Building Council of Sri Lanka (GBCSL) for the building's eco-friendly features.



Employee morale, health and safety

Amidst the challenging circumstances of the year, the Bank placed considerable emphasis on upholding high employee morale and ensuring their safety. Prioritising the vigilant protection of employees from both external and internal pressures, along with offering support and care, remained paramount. Safeguarding employees' livelihoods, health and overall well-being, while fostering a sense of unity among the workforce, stood as pivotal focuses for the Bank throughout 2023.

Employee welfare is upheld with facilities supported by comprehensive policies and by considering occupational safety measures to prioritise employee health and safety, contributing to a positive and secure work environment. The following some of the measures taken by the Bank to ensure employee health and safety

Solar power generation by the Bank

Total solar generation capacity

2,209 kwh

Total generation per day

8,838 kwh

Total solar generation per month

265,140 kwh

Total savings per month

Rs. 14.8 Mn.

Solar panels installed in

82
branches





Regular fire drills and the well-marked fire exits



Safe building maintenance with clear signboards for emergencies



Health awareness programmes

- Awareness session on “Digital Life & Eye Care” presented by Vision Care Optical Services (private) limited
- Eye Screening Camp conducted by Vision Care Optical Services (private) limited
- Webinar on “Mastering the Art of Mental Well-Being: Empowering Employees to Thrive” presented by Prof Priyanjali de Zoysa
- Webinar on “A holistic approach to well-being” presented by Prof Sri Kandiah

Optimised operations

Throughout 2023, the Human Resources Division of the Bank played a pivotal role in guiding employees through the challenges that flowed from the preceding year. The Bank extended a caring stewardship to each employee throughout, implementing remedial measures not only to adapt to local stresses but also to foster interconnectedness, synergy and efficient management of human resources. The HR division was able to instill a culture of support and engagement, encouraging employees to be resilient and agile.

During the period under review, several initiatives were launched to bolster business operations. The Human Resources department strategically implemented promotions and prioritised employee training and development, utilising a variety of learning platforms and training materials. Areas of focus encompassed thorough employee career planning, succession planning across middle management and departmental levels, leadership development programmes and a heightened effort to increase female representation in managerial positions. Notable endeavours included the introduction of the employee app (ComLink) and the implementation of a salary survey, both aimed at enhancing the overall benefits offered to employees.

Workplace culture

Raising the employee morale through engagement

To elevate employee engagement, events originally scheduled between 2020–22 were rescheduled, culminating in the Annual Award Ceremony that considered a two-year timeframe. This grand ceremony not only celebrated employee contributions during challenging times but also recognised those who excelled in ensuring the continuity of banking operations.

Furthermore, the loyalty and 25 year of service of 74 employees of the Bank was celebrated at the 2023 edition of the Bank’s annual Seniority Awards ceremony where the employees were felicitated with valuable gifts and certificates of appreciation. Many of the recipients of these awards were school leavers when they joined the Bank in 1998 and now hold key positions in Corporate Management and in various departments and branches.

stakeholders who entrusted the Bank with their savings. Morale played a pivotal role, fostered by a culture that personalises and humanises employees, extracting the best from their work ethic while ensuring their well-being is resilient against unnecessary stresses. The Commercial Bank family newsletter, “Compulse,” continued to engage employees, keeping them informed about each other’s endeavours in both work and personal pursuits. Improved connectivity and communication between Bank branches set a precedent for more seamless cross-functional and cross-branch dialogues.

Combank Super Talent Season 3

Combank Super Talent Season 3 was conducted in 2023 capturing the essence of brilliance and dedication of Combank Staff.

It was a journey of extraordinary moments. Each frame tells a story of passion, commitment and the unwavering spirit of our exceptional teams.



Seniority Awards Ceremony – 2023

Furthermore, the Bank organised additional morale-boosting events, including a lively employee carnival and a Christmas Party, aiming to instill a sense of joy within the Commercial Bank family.

The year marked a significant milestone in terms of staff engagement, featuring diverse activities such as a talent show, football and cricket tournaments, excellence awards and performance awards. These initiatives were designed to foster a vibrant and participative culture within the Commercial Bank, recognising and appreciating the diverse talents and contributions of the employees.

Amid the constraints of the contemporary pandemic, employees demonstrated respect and loyalty to both the Bank and the banking family by providing exemplary service to

Combank Super Talent was started in 2016 and had season two in 2019. In Combank Super Talent Season 03, a total 72 applications were received out of which 34 for singing while 20 for Dancing and 18 for Drama category which shows the enthusiasm of our Combank Staff. 15 teams selected to perform at the Grand finale comprising 5 teams for each category (Drama, Singing & Dancing) while nearly 1000 staff members witnessed the glamorous event held at Monarch Imperial, Kotte on November 4, 2024 followed by fellowship with Music & Dancing. 3 Winners & 3 runners up teams were selected by an eminent panel of Judges comprising of Industry experts and given the Awards & cash prizes by MD/CEO.



Combank Super Talents – Season 3

Sports events

The Bank recognises the importance of sports events to foster an environment of employee wellness, improve team spirit and create a sense of camaraderie among employees to stay motivated and productive.

Therefore the Bank promotes sports among its employees by organising a variety of sports events including the annual cricket tournament, netball tournament and football tournament.



Sports Events – 2023

Fast track promotions

Promotions are a key strategy for talent retention and business growth. In today's fast-paced and competitive environment, employees seek prospects for advancement and new challenges. In this context, the Bank recognises the importance of motivating high-performers by facilitating smoother promotions with a clear path for career progression. Therefore the promotion criteria of the Bank's employee grades were revised in order to motivate employees to fast-track their careers and advance within the organisation.

Recruitment drive

In order to meet organisational needs and fill the vacancies created with resignations, the recruitment drive was continued and strengthened with recruiting ideal candidates from the external job market for various specialised positions as well.

The banking vocation

The banking vocation is multifaceted in its many roles and responsibilities in its primary functions as a financial intermediary and a maturity transformer. To keep the banking operations at a peak, there should be both job security and as well as a means to develop an employee's repertoire of skills and talents. The banking vocation in 2023, stood uplifted by the vocational purposing of each employee to the bigger banking ecosystem, the provision of diversified training programmes, a special monthly allowance to staff in certain grades, hosting of talent shows for the development of employee skill sets, provision of work-from-home and hybrid work arrangements, facilitation of commuting of the employees by pioneering logistics (a bus service) and appreciating the staff by rewarding promotions, awards and financial reimbursements.

While several facets changed in their outlook, the ergonomic landscapes and the backdrop of advertising and marketing of hiring processes did not undergo significant modifications in 2023. In the current operational context, there is anticipation

that there will be a re-evaluation of the operational dimensions of the Human Resources Division in 2024.

Colours of diversity

Highlighting the diversity within its workforce, the Bank actively participated in various cultural activities to connect with its multifaceted employees. Events like Christmas Carols were organised to resonate with the cultural, ethnic and religious identities of the workforce, fostering a sense of belonging to a larger community. The Bank took strides to enhance female participation in management by promoting 12 employees to Senior Management roles.

The Bank's promotion policy delineates the staff promotion procedure for all grades, encompassing appointment/ career advancement and promotions up to the Corporate Management level. A key tenet of the policy is that promotions and recruitments are merit-based, with clearly defined criteria outlined in a scheme that eliminates gender bias from the promotion process.

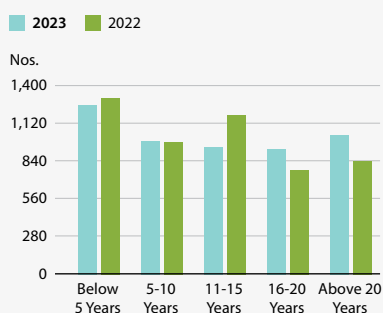
Viewing diversity as an essential element adding vibrancy to the banking units, the Bank actively engages its workforce to grow within a multicultural landscape, enhancing each employee's sense of purpose. This diversity not only serves a crucial role in the ecosystem but also enriches the Banking family with the unique colours brought by its diverse members.

Employees by category and gender – Bank

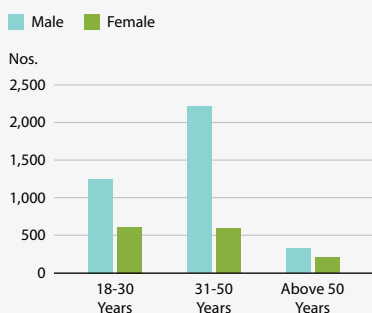
Table – 17

As at December 31, 2023	Age 18-30 years		Age 31-50 years		Age over 50 years		Total	%
	Male	Female	Male	Female	Male	Female		
Corporate Management	–	–	4	–	24	5	33	0.63
Executive Officers	148	52	1388	308	242	131	2,269	43.63
Executive assistants and allied grades	739	228	817	277	28	70	2,159	41.51
Banking trainees	363	337	4	1	2	–	707	13.59
Office assistants and others	–	–	5	–	27	1	33	0.63
Total	1,250	617	2,218	586	323	207	5,201	100.00
As a % of total	24.03	11.86	42.65	11.27	6.21	3.98	100.00	

Graph – 18: Service analysis of employees



Graph – 19: Age analysis of employees as of December 31, 2023



Employees by type and gender

Table – 18

As of December 31, 2023	Sri Lanka	%	Bangladesh	%	Total	%
Permanent and contract employees						
Female	1,314	27.06	96	27.83	1,410	27.11
– Permanent	1,308	26.94	75	21.74	1,383	26.59
– Contract	6	0.12	21	6.09	27	0.52
Male	3,542	72.94	249	72.17	3,791	72.89
– Permanent	3,540	72.90	198	57.39	3,738	71.87
– Contract	2	0.04	51	14.78	53	1.02
Total	4,856	100.00	345	100.00	5,201	100.00
Outsourced employees						
– Female	514	49.66	2	2.25	516	45.91
– Male	521	50.34	87	97.75	608	54.09
Total	1,035	100.00	89	100.00	1,124	100.00

All employees of the Bank are full time employees.

Female employees as of December 31, 2023

Table – 19

	2023	2022	2021	2020
Number of female employees	1,410	1,217	1,201	1,185
Female employees in Senior Management positions as a percentage of total employment (%)	0.58	0.98	0.92	0.92
Percentage of female employees promoted (%)	20.84	19.13	16.80	21.80
Percentage of females recruited (%)	53.31	29.00	35.50	27.21
Percentage of females in key geographical locations (of all female employees in the Bank)				
Sri Lanka				
– Western Province (%)	78.92	75.62	75.34	81.01
– Outstations (%)	21.08	24.38	24.66	18.99
Bangladesh				
– Dhaka (%)	83.33	76.54	81.40	75.86
– Other locations (%)	16.67	23.46	18.60	24.14
Percentage of female exits (includes retirees)	23.30	31.31	31.00	32.87

Staff training

Training and Development remains a crucial element within the Bank's Human Resource Development Philosophy. With a robust strategy in place, the Bank continues to prioritise equipping its staff with relevant and up-to-date skill sets, ensuring they possess the necessary competencies to deliver enhanced value. The Retail Products Division, in collaboration with the Digital Banking Unit, initiated a cross-functional knowledge-sharing and skills development programme to cultivate a digitally-aware culture. This initiative aims to facilitate more effective development and deployment of tech-based products.

Regular staff training programmes were implemented, specifically focusing on accuracy, efficiency and fluency in pawning transactions, contributing to the overall improvement of the valuation process. Additionally, customer service training was intensified, reaching over 2,000 staff across all branches, reinforcing the Bank's dedication to delivering an enhanced service experience. The renovated state-of-the-art auditorium, located in the Union Place branch building, serves as an integral addition to the Commercial Bank's facilities. This modern space caters to diverse events, including product launches, competitions, staff training programmes and cultural extravaganzas, meeting contemporary requirements.

During the year, the Bank invested Rs. 88.620 Mn., on training and development and delivered on average 9 hours of training per employee.

Training statistics

Table – 20

	2023	2022	2021	2020	2019
Total training cost (Rs. Mn.)	88.620	65.375	22.955	15.183	54.695
Total training hours	180,313	151,448	79,928	43,961	142,950
Total E-learning hours	4,546	1,319	7,756	7,161	1,111
Percentage of training through E-learning (%)	2.52	0.87	9.70	14.01	0.77
Total investments on virtual training (Rs. Mn.)	9.100	14.435	16.958	3.455	0.315

Middle Management Development Programme

Bank Launched the Middle Management Development Programme in 2022 which will benefit more than 130 middle managers over a period of two years. The programme was introduced to enhance the competencies of the Bank's future leaders, develop their potential to assume greater responsibilities, enable emerging leaders to grow and connect across diverse business disciplines, prepare them for future challenges and roles and equip them with a strategic leadership mindset. The phase 1 of the programme was concluded at the end of the year 2023 and the Final presentations on various topics related to Bank, from each group were presented for a panel comprises of a DGM, two AGMs & PIM Senior Faculty/Lecturer. The phase 2 of the programme is to be started in 2024.

Remuneration and job security

Prioritising the continuity of employee remuneration and job security, the Bank conducted annual performance appraisals in 2023. All increments and bonus entitlements, in accordance with the Bank's Pay-for-Performance policy, were fully paid, ensuring that performance-based bonus entitlements for the year were duly rewarded. Additionally, the Defined Contribution Pension Fund, launched in 2020 on the occasion of the Bank's 100th anniversary, provides financial assurances for employees not covered by the pension fund.

To further enhance employee benefits, the Bank introduced a tax relief allowance specifically for executive grades, coupled with the renaming of titles to reflect their social significance. As part of the compensation policy change, a special salary structure was implemented for IT personnel. This involved a comprehensive salary survey, considering both external benchmarks and

internal movements. The new structure, encompassing cash, bonus and expedited promotion, aimed at attracting and retaining IT talent.

Each employee received a yearly average increment of 9%, aiming to offset inflation and alleviate the challenges of a high cost of living. The HR Division, operating under the motto "Believe in Commercial Bank" for 2023, built on the momentum of prudent confidence and solidarity, values integral to the Bank's ethos.

In 2023, the banking ecosystem witnessed a brain drain, with nearly 163 employees migrating overseas for better opportunities. To address resulting vacancies, the Bank hired 589 new employees during the year. The Bank actively supported talent upskilling and career development initiatives, ensuring employees were equipped with the necessary capabilities for professional growth.

Continuing its strategy, the Bank outsourced services for Digital Assistants and call center operations. Outbound excursions were also organised to enhance the harmony among hierarchical and geographically dispersed branches, fostering a cohesive and flourishing singular system within the banking operations.

Collective bargaining

In December 2023, the Bank solidified its partnership with the Commercial Bank Employees Union (CBEU) by signing a collective agreement for a three-year period. Throughout the year, the Bank maintained harmonious relations with the CBEU, fostering open dialogue and negotiations that mutually benefited both parties. This collaborative approach yielded rewards for both the Bank and the union members, reflecting a positive and constructive engagement between the two entities.

HR challenges, initiatives and plans

The HR Department of the Bank faced multifaceted challenges, including significant turnover at the executive level influenced by global job market trends and the aftermath of the COVID-19 pandemic. This rapid turnover complicates the process of replacing departing employees, particularly in the traditional model of training from entry-level to higher positions. To tackle this, the Bank has accelerated the banking trainee process, eased promotion criteria and recruited mid-career professionals for specific roles. Despite acknowledging challenges in talent acquisition and potential long-term impacts on leadership pipeline, the Bank remains optimistic about the influx of external talent bringing fresh ideas and competition.

To adapt to the evolving workforce landscape, the Bank initiated various strategies such as creating new roles, restructuring the salary system and recruiting professionals from non-banking sectors. Furthermore, efforts to enhance employee engagement, the Bank introduced special tax relief allowances and also engaged in a range of training and development schemes to ensure that the employees are custodians of lifelong learning and strategic self-development that can be vehicles of self-actualisation. Plans for succession planning, increased training activities and potential compensation adjustments are also in the pipeline.

The Bank adopts a comprehensive approach to address HR challenges through digital transformation, competency frameworks, coaching initiatives and employee development. In addition, the Bank is focusing on cross-functional opportunities to encourage mobility among employees, upgrading its Human Resources Information System (HRIS) to improve talent management and centralising routine tasks for better service delivery. These initiatives reflect the Bank's commitment to overcoming challenges and fostering a resilient and adaptable workforce in the ever-changing banking sector landscape to deliver operational excellence.

The Bank values upholding established standards and principles concerning labour practices, human rights and occupational health and safety as crucial for maintaining productivity. Particularly in demanding situations, it is vital to prevent burnout and fatigue, boost morale and foster an environment where employees can thrive and contribute to the Bank's success. Despite facing challenges, the staff's camaraderie and team spirit remained robust, ensuring their productivity stayed consistently high.

Retention rate (Maternity leave)

Table – 21

Number of Employees	2023	2022	2021
Availed leave during the year	36	49	50
Due to return during the year	39	54	59
Returned during the year	38	54	59
Returned during prior year	54	59	73
Still employed after 12 months	45	56	70
Return ratio %	97.00	100.00	100.00
Retained ratio %	83.33	94.92	95.89

Integrating sustainability into HR Strategy



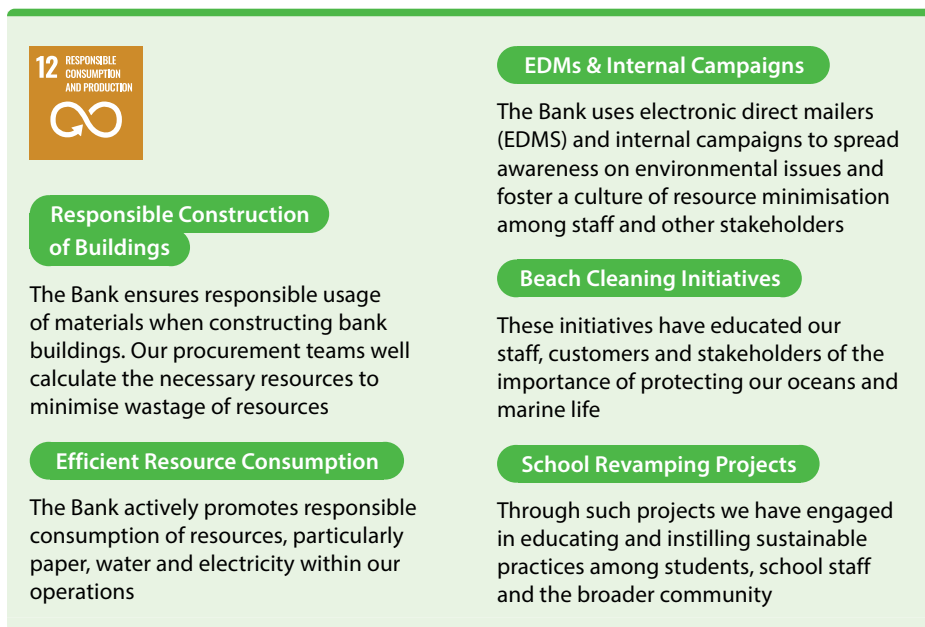
Encouraging sustainability-related behaviour

The Bank is dedicated to fostering a green and sustainable work environment as part of its sustainability initiatives. This commitment encompasses various strategies aimed at reducing environmental impact, promoting energy efficiency and supporting sustainable practices within the workplace in this regards is given in the Figure 27 below:



Responsible consumption of resources

The Bank actively promote responsible resource consumption through education and awareness initiatives, instilling principles like the 4R (Reduce, Reuse, Recycle and Recover) and Circular Economy concepts within our committed staff. Our aim is to foster sustainable business operations by encouraging efficient energy and material management to minimise the Bank's environmental footprint. Aligned with our sustainability blueprint, we are dedicated to coordinating joint efforts with pertinent SDGs, with a particular focus on SDG 12. This commitment is demonstrated through responsible practices across various aspects.



movement, implementing various initiatives to minimise paper usage and transition towards digital alternatives.

One of the primary objectives of promoting paperless operations is to reduce paper consumption and the associated costs, including purchase, transportation and storage. By embracing digitalisation, the Bank has streamlined and automated work processes, leading to greater efficiency and cost savings. Additionally, the scarcity and increasing cost of materials such as plastic, EMV chips and POS devices, coupled with the rise of green banking initiatives, have further incentivised the shift towards paperless, digital and eco-friendly products and services.

The Bank has implemented a systematic digitalisation strategy aimed at achieving a paperless operational environment. This strategy involves leveraging technology to drive paperless payment transaction initiatives, introducing electronic loan application procedures, launching mobile apps for digital deposits and implementing digital workflow systems for internal memos and approvals. Furthermore, the Bank has replaced traditional notice boards with LED panels and introduced e-statements for both account and credit card holders, eliminating the need for physical paper statements.

The transition towards paperless processes is not only a cost-effective measure but also aligns with industry trends and environmental sustainability goals. By managing the supply side through effective sourcing and price negotiations and establishing accountability on the demand side through digitalisation and benchmarking, the Bank has been able to significantly reduce quantities of heavily used stationery items year on year. This approach not only reduces operational costs but also minimises the environmental impact associated with paper production and disposal.

The commitment to promoting paperless operations extends beyond individual initiatives to a holistic approach encompassing all spheres of banking operations. The Bank has embraced total sustainability as reflected in its new logo and practical commitment to business practices, including paperless transactions, responsible compliance practices and energy-efficient operations. Moving forward, the Bank will continue to explore best practices and opportunities to further digitalise and re-engineer processes through initiatives led by the Cost Optimisation Committee.



Paperless operations

The advent of technology has revolutionised numerous aspects of our lives, including how the Bank conducts financial transactions and manage its operations. In recent years, there has been a growing emphasis on promoting paperless operations within the banking sector, driven by the dual goals of cost reduction and environmental sustainability. Having introduced digital tabling and viewing of Board and Board Committee Papers via the BoardPac System over a decade ago, Commercial Bank has been at the forefront of this

Reduction in paper usage (A4 bundles)

27,000 – 2023 (51,500 – 2022)

Water management

Cognisant of the importance of responsible water usage, the Bank has implemented various initiatives to minimise its water footprint while ensuring efficient water management across its operations. Although the Bank's primary water requirement is for utility and sanitation purposes for its staff and customers, it has taken proactive steps to actively manage its daily water consumption.

One notable initiative undertaken by the Bank is the installation of dual-flushing water closets in all Bank-owned branch buildings. These water-saving fixtures are designed to reduce water usage by providing users with the option to use a lower volume of water for liquid waste and a higher volume for solid waste. The Bank has also implemented rainwater harvesting systems at select branches, including Wellawatte, Galle Fort and Jaffna. These systems allow the Bank to capture and store rainwater for various non-potable uses, such as irrigation and toilet flushing. By harnessing rainwater, Commercial Bank not only reduces its reliance on municipal water sources but also promotes sustainable water management practices. Furthermore, at the Bank's Head Office premises, a tube well has been installed to supply water specifically for flushing toilets. This dedicated water source helps minimise the use of potable water for sanitation purposes, thereby conserving valuable freshwater resources. In addition to these specific initiatives, the Bank has also implemented a conscious effort to control daily water usage across all its operations. By promoting water-saving practices and raising awareness among staff and customers, the Bank aims to foster a culture of responsible water consumption throughout the organisation.

Offering sustainability training – Zero trash

Vibhava Solution offers comprehensive solutions spanning agriculture, reforestation, waste collection and corporate training and consultation, all geared towards assisting companies in achieving their environmental and social objectives in line with the Sustainable Development Goals (SDGs). The Bank's proposal entails the implementation of a training programme designed to enhance employee environmental awareness and

empower them to champion environmental sustainability both within their professional roles and in their personal lives, thereby serving as catalysts for positive change. This training module covers areas such as waste management, home gardening and climate change fundamentals, equipping employees at all levels with the knowledge and skills needed to make a meaningful impact. Furthermore, the Bank aims to leverage this workshop as a platform to facilitate the planning, design and execution of community-based climate adaptation and mitigation.

Future Force Group

As a pioneering organisation committed to sustainability, Bank has recognised its role in supporting sustainable development of the country, while reducing our environmental footprint. In this context, establishment of Sustainability Group, is expected to create a platform for collaboration, innovation and knowledge-sharing among our staff members, customers and other stakeholders.

Bank's Sustainability Group, Future Force' Overall Goal

To create a platform for collaboration, innovation and knowledge-sharing among our staff members, customers and other stakeholders on Sustainability sphere



The role of the "Future Force" members

Figure – 29



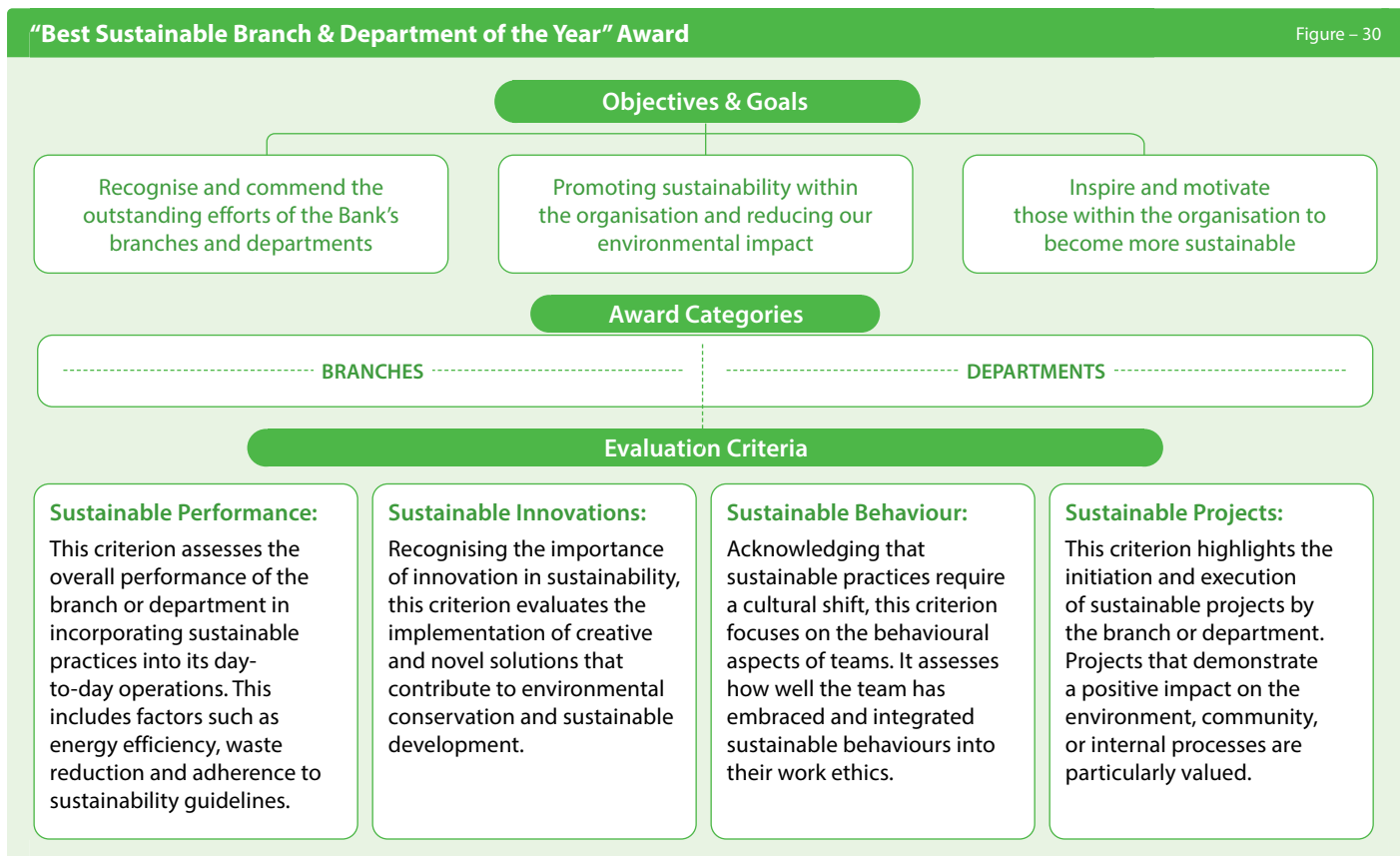
Encouraging sustainability-related innovation

Digitalised culture

The Bank achieved a notable reduction in its paper footprint, evident across various internal and external processes. The digitisation of inward remittances played a key role in minimising paperwork associated with remittances-based printing. Additionally, the automation of the internal audit process contributed to the Bank's shift towards a paperless culture.

The upgrade of the AS400 server strengthened the core banking system, allowing it to efficiently handle increased workloads and adapt to traffic changes. This upgrade ensures high-performance, security and reliability. The automation of the Credit Information Bureau (CRIB) system has improved the Bank's decision-making processes, leading to a reduction in man-hours and associated costs. The introduction of an integrated loan appraisal system, enhancing efficiency in report generation, marked a noteworthy development during the year.

Recognise and reward sustainability-related achievements



Volunteer Initiatives



27 Environment conservation projects were carried out during the year 2023

Incorporating sustainability into performance evaluations

The Bank employs specific key performance indicators (KPIs) as tangible metrics to evaluate its achievements in fulfilling both its corporate objectives and its obligations towards the community and the environment. The Figure 31 presents 11 essential KPIs from the range of KPIs utilised by the Bank to evaluate its performance in sustainable banking, along with their corresponding pillars of sustainability as outlined by the Central Bank, the Bank's own sustainability pillars and the United Nations Sustainable Development Goals (UN SDGs) that the Bank contributes to.

Aligning the Bank's Sustainability Pillars with those of the CBSL and UN SDGs

Figure – 31

UN SDG	KPI	The CBSL pillar	Commercial Bank pillar
	Realising growth targets within the Bank's WSME portfolio	Financing Vision 2030	 Sustainable Banking
	- Achieving a 25% increase in Green Financing disbursements - Advocating for green loans and leases, including initiatives such as rooftop solar power generation, hydro power generation and wind power generation schemes, to foster sustainable practices.	Financing Vision 2030	
	- Enhancing the product range & expanding offerings to attract investments in sustainability sphere - Introducing novel strategies and services tailored to support MSMEs - Innovating loan products aligning with the Bank's commitment to environmental sustainability	Financing Vision 2030	
	- Supporting financing for export-oriented projects and import substitution initiatives. - Advancing Sustainable Digital Development initiatives. - Incorporating Social and Environmental risk assessment into the Bank's lending cycle and decision-making processes.	Financial inclusion	
	- Establishing robust monitoring and evaluation mechanisms. - Ensuring prompt and accurate submission of mandatory reports to regulatory authorities.	Measurement and reporting	 Responsible Organisation
	Conducting training sessions for staff to enhance awareness of sustainable finance principles.	Capacity building	
	- Promoting responsible consumption within the Bank: - Managing and reducing the Bank's energy consumption. - Fostering a culture of sustainability throughout the Bank. - Adopting renewable energy sources and green building practices with regard to Bank's own operations. - Implementing measures to reduce paper usage in the Bank operations and marketing. - Implementing energy-saving practices in IT operations, adhering to the "Energy Star" standard for IT equipment. - Fostering a culture of sustainability throughout the Bank.	Financing Vision 2030	
	Engaging in international collaborations, platforms and partnerships.	International cooperation	 Sustainable Banking

Expected outcomes of sustainable HR practices

Fostering a Sustainable Culture

Cultivating a culture of sustainability by driving the responsible organisation concept by promoting a green and safe workplace, sustainable products and services

Enhancing Trust and Brand Reputation

Promoting sustainable banking practices and engaging with the community to build trust among customers and enhance brand reputation

Managing Sustainability Risks

Identifying and effectively managing sustainability risks to minimise the potential for sustainability-related losses

Promoting Digital Banking

Encouraging increased digital transactions to promote the usage of digital banking services

Boosting Employee Satisfaction and Retention

Emphasising sustainability and community engagement initiatives to enhance employee satisfaction and ensure employee retention

Reducing Paper Usage and Waste

Implementing measures to reduce paper consumption and waste, which will result in reduced purchase, transportation and storage costs

Enhancing Energy Efficiency

Implementing strategies to reduce energy usage and improve operational efficiency, leading to minimum resource usage and cost savings

Sustainable supply chain

Logistical Framework

In 2023, the Bank continued its efforts to broaden its network of business partners as a strategic measure to ensure seamless operations, particularly in times of crisis. The established trust and connectivity between the Bank and its suppliers play a pivotal role in providing technology platforms, market access and essential materials and services, thereby sustaining the supply chains essential to the Bank's operations. Throughout the year, the Bank actively

engaged with over 1,500 business partners, enhancing the efficiency and reliability of its banking operations. The e-procurement system, introduced in 2020 and vital during the extended pandemic period, continued to serve as a critical supplier base, mitigating the impacts challenges in the operating environment on banking operations and employee health. This enabled the Bank to ensure an above-par supply chain, maintaining smooth operational continuity. Supply chain logistics were meticulously calibrated to ensure each branch received

required consumables in time to guarantee uninterrupted banking operations.

Procurements during this period prioritised uncompromised quality, introducing new avenues for digital products and innovative backend tools. The Bank made a significant investment of over Rs. 2.5 Bn. in Information Technology, with hardware and software acquisitions facilitated through strong supplier-business partner relationships cultivated over the years. Cost management remained a fundamental criterion in governing expenses for pioneering digital innovations.

The Bank's business partners

Figure – 32



CRITICAL TO OPERATIONS

- Utility services providers
- Software suppliers
- Material suppliers
- Travel and Transport



EXTEND OUR REACH

- Correspondence banks
- Franchise partners
- Exchange houses
- FinTech companies



INFREQUENT ENGAGEMENT

- Premises providers
- Contractors
- Professional services providers



MAINTENANCE

- Staff welfare
- Waste management
- Communication
- Human Resource providers
- Asset suppliers
- Debt collection agencies

A technical introduction to the practice of procurement was the slow infusion of artificial intelligence (AI) into the procurement process, for best placement of supply materials in the utility pipelines, to improve overall efficiency of the procurement exercises, bolster the underlying business intelligence and to offset traditional procurement practices that can compromise the punctuality of supply chains.

Collaboration and partnerships

Within the realm of sustainable banking, the Bank not only provides a robust suite of services but has also implemented effective monitoring and evaluation processes along with a comprehensive reporting mechanism to track the progress of sustainable banking. In 2022, the Bank partnered with the Market Development Facility organisation (MDF), an NGO under the Australian Government, dedicated to sustainable economic development. This collaboration aimed to uplift and empower farmers and micro-producers in the sphere of sustainable finance. The Bank's support extends to community-based organisations, encompassing farmers, fishermen, cottage industries, women-led enterprises and other micro-businesses, fostering a sustainable supply chain.

At the SME Trade Fair, the Bank collaborated with the Sustainable Energy Authority (SEA) to conduct an awareness session for SMEs on how to reduce electricity consumption and energy bills by moving to renewable energy. The Bank has a Flexi-Payment Plan loan scheme for financing the establishment of solar-powered units. This initiative not only promotes financial inclusion but also aligns with green practices, showcasing the Bank's commitment to both aspects simultaneously.

Process followed in integrating sustainability in to the Supply Chain:

- **Supplier engagement:**
The Bank engages with their suppliers to encourage the adoption of sustainable practices, such as reducing waste and emissions, conserving water and energy and using environmentally-friendly materials
- **Sustainable procurement:**
The Bank adopts sustainable procurement policies that prioritise the purchase of goods and services that have a low environmental impact
- **Collaboration and partnerships:**
The Bank works with other organisations, such as non-profits and industry associations, to promote sustainability in their supply chain.

Community engagement – Outreach

Guided by the Bank's Sustainability Framework and spearheaded by sustainability committees, the Bank achieves Community Engagement through multi-faceted initiatives, collaborations and programmes that focus on social and environmental aspects.

One aspect of Community Engagement is the Bank's outreach programmes, which aim to support and uplift needy communities at the grassroots level. The Bank's CSR activities directly address their needs and challenges. Through initiatives focused on education, healthcare, environment and community development, the Bank aims to uplift and empower individuals in such communities. This includes providing access to quality education and vocational training, improving healthcare facilities and services, promoting environmental sustainability and supporting community development projects which aim to make a positive and sustainable impact, improving the lives and opportunities of those in need.

Commercial Bank strategically supports social enterprises, collaborating with organisations like IFC, *Sarvodaya* and UNDP to empower marginalised communities by establishing initiatives such as childcare centers and donating food dehydrating machines, aiming to balance

financial success with meaningful societal and environmental impact.

The Bank's Community Engagement efforts also include specific projects such as mangrove restoration, tree planting initiatives, providing water purification plants and storage tanks, etc. Through collaboration with Wildlife and Ocean Resource Conservation, the Bank initiated a mangrove planting project in designated areas to prevent land erosion, preserve buffer zones and restore the balance of fauna, flora and human settlements.

The Bank utilises diverse communication channels such as Facebook, Twitter, LinkedIn, and Instagram to ensure comprehensive reach and effective dissemination of information with regard to community engagement, sharing updates, success stories and educational content on sustainability.

The Bank encourages its staff to actively participate in community volunteering initiatives that benefit the community and the environment. To maximise their engagement and awareness, the Bank has introduced an awards programme for the Best Sustainable Branch and the Department. This recognises and encourages sustainable practices within the Bank and fosters a sense of social and environmental responsibility.

Community Engagement

Figure – 33



Social Enterprise



Social Engagement



Environmental Engagement

The Bank serves as a steadfast financial institution committed to the responsible management of societal and environmental well-being through a comprehensive approach. Aligned with its sustainability vision, the Bank has seamlessly integrated sustainability principles across its operations, organisational culture and the entire value chain. This involves robust and enduring outreach programmes shaped by an environmental conscience, emphasising the Bank's commitment to Corporate Social Responsibility (CSR) by reaching out to disadvantaged communities at the grassroots level. Leveraging its environmental awareness, the Bank actively balances conservation efforts with emissions management, striving to proactively protect nature while reducing its carbon footprint.

Governance Framework in place at the Bank for community engagement

Figure – 34

Governing Body	CSR Trust	Executive Sustainability Committee
Managed by	A dedicated CSR Unit headed by a Senior Manager consisting of a four member team	Sustainability Working Committee comprised of members of Corporate Management and Heads of 16 Departments
Process followed	Highly efficient project management process, including a rigorous approach to selection of projects based on feasibility, impact assessment coupled with managed resource allocation and continuous monitoring of ongoing projects	
Membership	Future Force Members and ownership at branch and department level	

The Bank's sustainability endeavours are overseen by a cross-functional Sustainability Working Committee (SWC), featuring representation from key sustainability-related functional areas and incorporating a thorough measurement mechanism. The Bank's sustained and new partnerships with public, private and non-governmental organisations, both locally and internationally, play a crucial role in advancing its sustainability strategy.

Through these initiatives, the Bank commits to engage in the following SDGs:



Commercial Bank supports social enterprise

Commercial Bank took a strategic initiative to support social enterprise, empowering the communities to stand up on their own. Reaching out to the marginalised communities and supporting them to create livelihoods is Bank's objective in this strategic focus.

In this, the Bank goes beyond traditional profit-driven models, striving to balance financial success with a meaningful contribution to the society and the environment. In taking this strategic initiative forward, the Bank gets into collaborations with like-minded entities having expertise in the relevant fields.



Establishing a Childcare Centre in Batticaloa in collaboration with IFC



Collaboration with IFC and Sarvodaya to support establishing a Childcare Centre in Batticaloa

A study done by IFC in the Eastern Province highlighted that not having proper reliable childcare facilities in the region is negatively impacting the productivity levels of both men and women. Therefore, as a solution and also as an employment generating mechanism, IFC together with Sarvodaya proposed to establish a well-structured childcare centre in Batticaloa with well-trained childcare specialists and the Bank supported this initiative.



Collaboration with UNDP to donate a food dehydrating machine to Hettipola Village

As an additional income generation mechanism to the underprivileged farming community living in Hettipola, where UNDP through their GEF Small Grants Project had established women societies. The Bank donated a food dehydrating machine to the women society in the village. The society now initiates dehydration of excess produce and packet and sell them, generating an extra income for the poor farming families.

Corporate Social Responsibility (CSR)

The Bank's Corporate Social Responsibility Trust (CSR Trust) envisions a future where no one is left behind and where the financial commitment of the Bank's outreach programmes will uplift societies, especially the younger generations who are the leaders of tomorrow.

The CSR applies the foundational strengths of outreach in five sustainable areas targeted to empower communities.

- Education
- Healthcare
- Environment
- Community and
- Cultural Heritage

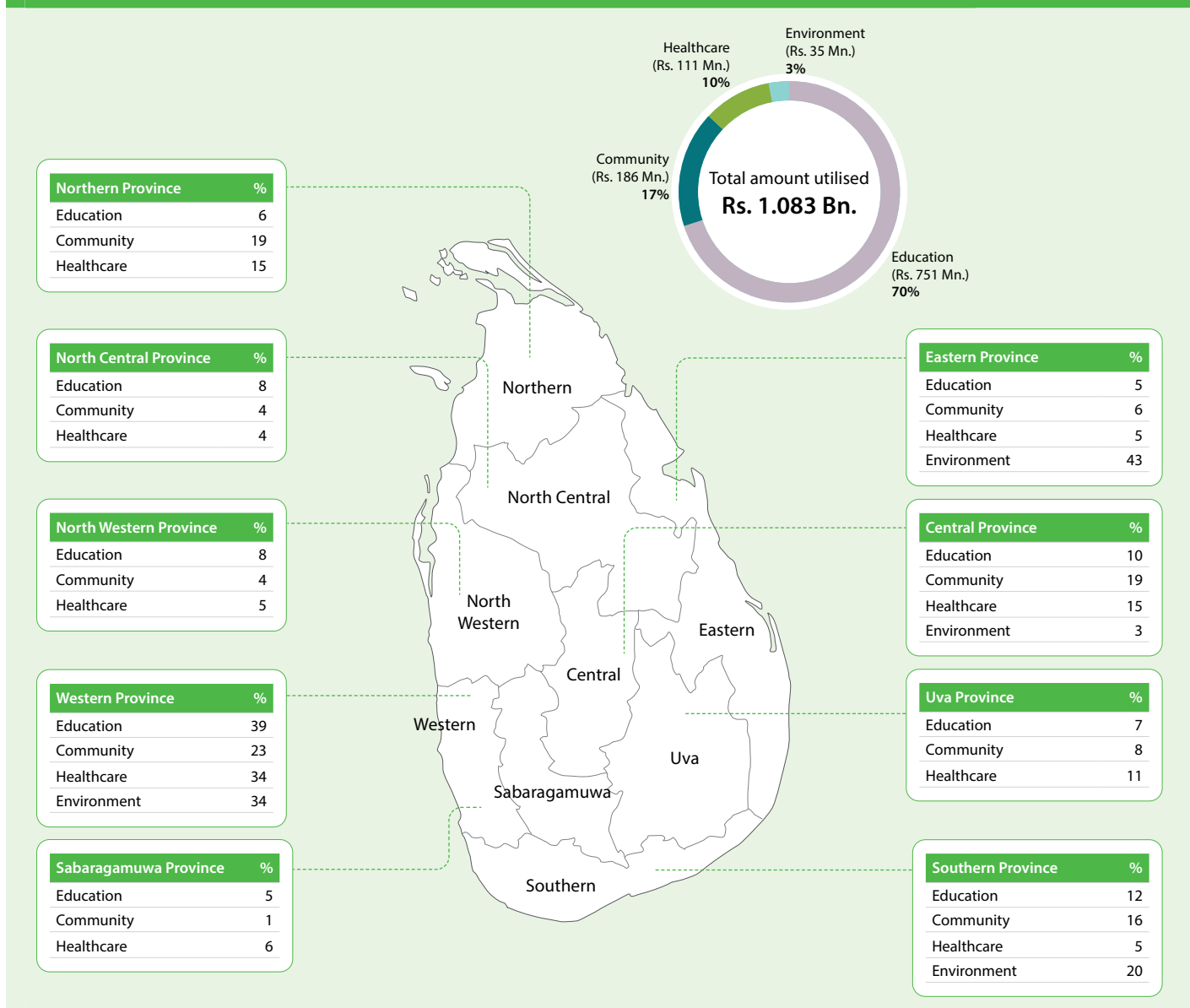
The unique mandate of the Bank's CSR Trust emphasises empowering the citizens of the nation to actively contribute to Sri Lanka's socio-economic development, rather than seeking direct benefits or aligning with the Bank's business objectives. Allocating up to 1% of its post-tax profit annually, the Trust focuses on five broad sustainable areas mentioned above to redirect its CSR initiatives meaningfully. Serving all communities, religions, geographical locations and races without discrimination, the Bank's CSR Trust aims to make a positive impact on society.

Bank's well-planned approach to CSR initiatives:

- The Bank's CSR Trust is comprised of a five-member Board of Trustees who drive the CSR strategy
- The commitment of the Bank's leadership to advance CSR initiatives
- All projects are managed by the CSR Unit of the Bank
- Volunteerism and ownership at the branch and department level
- Rigorous post-evaluation of the projects undertaken

Total fund allocation and utilisation of the CSR Trust during 2011-2023

Figure – 35

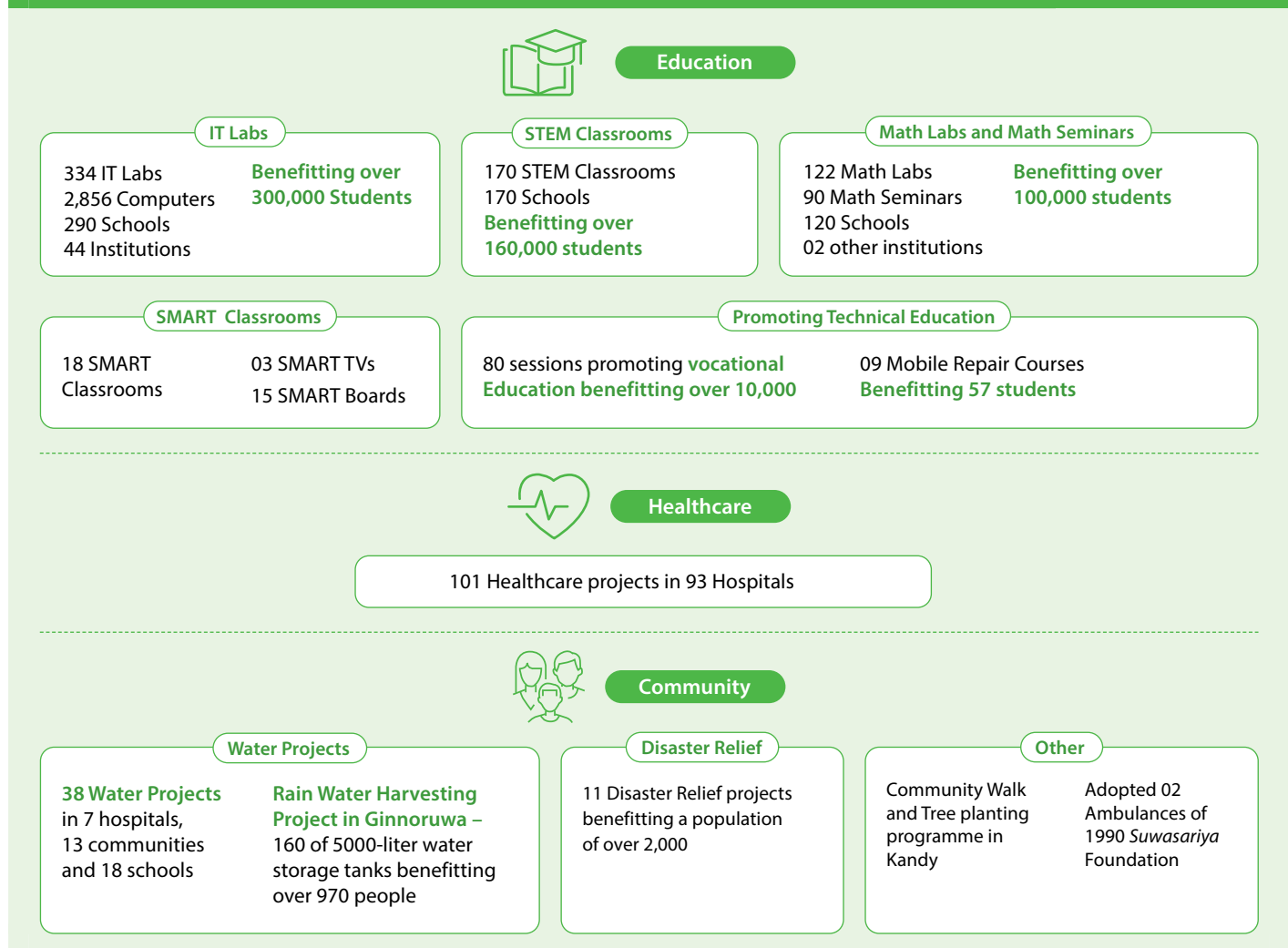


The Bank has garnered the following awards and accolades for its CSR initiatives:

- Best CSR Bank from Global Banking and Finance Review Magazine, UK
- Winner – Banking Category from ACCA – Sri Lanka at Sustainability Reporting Awards 2022
- Integrated AR & CSR: Non-Traditional Format Silver Award from MerComm ARC Awards 2023

Snapshot of CSR and sustainability initiatives

Figure – 36



Social engagement

Education

IT labs



The Bank added 54 “IT Labs” in 2023, bringing the total to 334 and extending the technological access to a broader student population.

The Bank, through its CSR Trust, employs a comprehensive approach to implement impactful projects under the Education

pillar, representing the largest CSR expenditure. Following a strategic decision to focus on IT Education and digital literacy development for the youth, the Bank has made substantial strides in increasing its investment in IT education, fostering a technologically proficient future generation. Building on the initiative to establish IT labs in rural schools since 2011, the Bank added 54 “IT Labs” in 2023, bringing the total to 334 and extending technological access to a broader student population. This initiative has played a crucial role in retaining students in rural schools and preventing the closure of some struggling schools due to a lack of IT resources.

In 2017, the Bank initiated efforts to enhance IT literacy among young individuals by establishing “smart learning environments”, investing in skill development programmes and bolstering educational infrastructure. These endeavours directly align with Sri Lanka’s Sustainable Development Goals, particularly Goal 4 (Quality Education), aimed at fostering inclusive, equitable and quality education while promoting lifelong learning opportunities. Furthermore, the Bank advocates for SDG 17 (“Partnerships for the Goals”), recognising that collaborative partnerships amplify impact and yield more robust outcomes.

Contribution during the year 2023

Education



IT Labs

54 IT Labs
592 Computers
48 Schools
6 other institutions
Over 70,000 students

STEM Classrooms

30 STEM Classrooms
3 SMART TVs
1 SMART Board
34 Schools
Over 35,000 students

Math Labs

37 Math Labs
17 Math Seminars
37 Schools
5 camps
Over 40,000 students

To support job oriented education

09 Mobile Repair Course for 57 students



SMART schools

The SMART School project focuses on the digitisation of core subjects in GCE Ordinary Level and Advanced Level grades, creating a digital learning platform to enhance the education of secondary school students in rural areas. Through a Public-Private-Partnership with Headstart (Pvt) Ltd., Microsoft Sri Lanka and Dialog Axiata PLC, the Bank works to establish smart learning environments in traditional secondary education classrooms. Teacher training on the use of smart techniques is a key component of the initiative, benefitting over 75,000 students across nine districts. The Bank's commitment to promoting STEM education is evident through the expansion of the "Smart School" concept, establishing STEM Classrooms, Coding Clubs and Math Labs in schools.

STEM classrooms

The initiation of the STEM Classroom project in 2020 marked a significant advancement in the Bank's dedication to the Education pillar during its centennial celebrations. As part of the "100 Sipnena Smart STEM Schools" initiative, the Bank is actively involved in the long-term transformation of conventional classrooms into STEM centers. Leveraging digital learning content from the Sipnena online education platform, the project prioritises Science, Technology, Engineering and Mathematics (STEM) subjects crucial for various IT-related careers. Selected schools are equipped with computers, multimedia projectors, furniture and access to specially curated digital content, enhancing the overall learning experience. In 2023, the Bank successfully established 30 STEM Classrooms, increasing the total to 170 and benefitting approximately 160,000 students nationwide. Future plans involve extending the project to students from Grade one to the GCE Ordinary Level.

Math labs

Introduced in 2015 with the aim of nurturing the mathematical and analytical capabilities of schoolchildren, the Math Lab project remains an active venture spearheaded by the Bank. Throughout recent years, the Bank has established several math labs primarily in rural schools across Sri Lanka. This endeavour has garnered interest from young learners across various age brackets, eager to engage in hands-on learning through interactive mathematical activities. These labs serve as platforms for students to deepen their understanding of mathematical concepts, enhance problem-solving skills and foster critical thinking abilities. The Bank established 37 Math labs in 2023 raising the total to 122.

Coding Clubs Project

Launched in July 2020 as part of the second phase of the STEM Classroom initiative, the Coding project is a collaborative venture involving Commercial Bank, STEMup Educational Foundation, IRIM Croatian Makers, Micro:bit Educational Foundation, Rotary Club Zagreb Centre and other contributors. Aligned with STEMup Foundation's mission to inspire students toward STEM degrees and careers, the project establishes computer coding clubs in 100 selected schools across the country.

The objective is to equip students with programming skills, fostering innovation and the development of functional applications. The Bank's commitment extends to funding train-the-trainer programmes and providing essential learning tools, including "Internet of Things" (IoT) kits and other necessary resources.

CISCO Networking Academy – Commercial Bank collaboration

In 2020, the Bank, in partnership with the CISCO Networking Academy, facilitated around 500 students from government schools to enroll in various basic IT courses of their choice through a virtual platform, free of charge. The Bank bears the students' lecture fees and CISCO Networking Academy provides the courses without any charge. This collaboration is designed to maximise the use of the IT labs donated by the Bank, allowing students to pursue IT courses by connecting to the CISCO Networking Academy curriculum and earn certifications upon successful completion. CISCO certifications hold significant value in the IT industry and the Bank has successfully trained over 2,000 students through this programme, making them eligible for well-paying jobs.

Youth empowerment through vocational training

In partnership with the Vocational Training Authority (VTA), the Bank facilitated school leavers who completed their 10th grade to pursue technical qualifications up to NVQ Stage III certification across diverse technical disciplines. The "120 Days Training" initiative has provided essential skills to school dropouts, preparing them for opportunities in the construction sector. Through this sustained effort, Commercial Bank has empowered more than 340 young individuals to secure meaningful employment.

The following VTA-enabled training facilities and programmes were conducted in 2023.

- Teamed up with the "Sipvin" Vocational Training Institute in Moratuwa, the Bank launched a Mobile Repair Course aimed at empowering underprivileged individuals. More than 57 students have completed this intensive one-month programme, gaining valuable skills to improve their employability prospects and secure higher monthly incomes.

- Supported the Vocational Training Authority to enroll students from government schools and initiated the establishment of 15 STEAM Clubs in schools, emphasising its commitment to bridging the gap in vocational education for students.

Impact assessment

In line with our dedication to education, we conducted a comprehensive impact assessment of the STEM educational facilities donated by the CSR Trust to underprivileged schools. This assessment highlighted the significant transformative influence of these IT labs on education, reaffirming our commitment to narrowing digital disparities and fostering a better future for our communities. Additionally, the collaboration with the National Science Foundation and the Sasnaka Sansada Foundation demonstrates our commitment to transparency and accountability. Through such partnerships, CSR Trust ensures thorough evaluation processes, enabling it to enrich its strategies and sustain positive contribution to education.

Healthcare

The CSR Trust executed healthcare projects in 08 hospitals disbursing funds amounting to Rs. 16.0 Mn. Noteworthy contributions included the donation of critical care equipment and development of infrastructure facilities to government hospitals. This initiative aimed to enhance the healthcare infrastructure and support the well-being of the local population.

Contribution during the year 2023

Healthcare

To uplift the healthcare service

8 Healthcare Projects conducted in Government Hospitals – Spent Rs. 16 Mn.

Adopted 02 Ambulances of 1990 Suwasariya foundation with the cost Rs.10 Mn.



Food security



When fundamental human needs such as food, clean water and proper sanitation are lacking, it can trigger a cascade of adverse effects, with poor nutrition emerging as a crucial and overarching concern.

According to the World Food Programme (WFP) Sri Lanka Situation Report from March 2023, 32% of households in Sri Lanka are experiencing food insecurity, with 73% resorting to negative food and livelihood coping strategies. To address this issue, WFP exclusively partnered with Commercial Bank to distribute funds to selected beneficiaries in Sri Lanka through an outreach programme aimed at preventing malnutrition and assisting families in accessing food. The memorandum of understanding (MOU) in this regard was signed in August 2023.

In collaboration with WFP as the exclusive financial partner, the Bank supported the community by distributing WFP Aid worth of Rs. 183.190 Mn. (USD 570,000) to 9,961 households in Jaffna, Mullaitivu, Badulla, Matara, Colombo, Kegalle and Ratnapura Districts to reach their alimentation and nutritive needs.

As a benefactor, partner and patron of the partnership with the WFP, the Bank bolstered the grassroots level capacity of over 10,000 households to reach their alimentation and nutritive needs.

Cultural heritage



The Bank continued its annual children's art competition "Arunalu Siththam" for the fourth consecutive year, inviting young talents from all over Sri Lanka to showcase their artistic abilities. Looking ahead to 2024, the Bank plans to expand its philanthropic efforts by supporting traditional handcrafted

arts and crafts of small and medium enterprises (SMEs), such as the mask industry in Ambalangoda.

Community development

In 2023, the Bank continued its commitment to social responsibility by supporting communities severely impacted by economic and environmental challenges. Collaborating with the Centre for Education, Research and Training on Kidney Diseases, the Bank donated 5,000-liter storage tanks to fifty families in the Ginnoruwa area. The "Ran Aswanu Mangalya" initiative, led by the Bank in Minneriya Dewalaya, exemplifies our commitment to community engagement and sustainable practices. Collaborating closely with the Dewalaya, the Bank orchestrated a comprehensive programme aimed at uplifting the agricultural community in the area. Activities included the distribution of farming equipment to local farmers, conducting capacity-building programmes, installing a water purification system at Dewalaya, installation of signage boards near the Minneriya Tank to increase visibility and awareness and organising a tree planting initiative in the locality. These efforts not only support the first harvest tradition of offering kanna to the Minneri Deity but also contribute to the overall well-being and prosperity of the community.



Ran Aswanu Mangalya

The Bank was also engaged in Planting trees around Gatabe Municipal Ground jointly with the Municipal Council of Kandy and the Forest Department. The Bank also sponsored two ambulances in "Adopt an ambulance" programme for 1990 Suwasariya Foundation.

Staff volunteering initiatives, such as the Conservation of Aquatic Ecosystem and Revamping School Premises projects, have involved the participation of volunteer staff members across 16 projects, reflecting our commitment to making a positive impact on the communities we serve.

Looking ahead to 2024, the Bank plans to expand its community development initiatives and engagement even further.

Contribution during the year 2023

Community

To enhance the standard of living

Rain water Harvesting Projects in Ginnoruwa

7 Drinking Water projects in 3 hospitals, 1 school and 3 other institutions

Donated 5,000 litre water tanks to 50 families in Ginnoruwa

Environmental engagement



Environmental engagement is currently a crucial imperative in combating climate change. For many years, Commercial Bank has played a central role in advocating for the environment, showcasing how the local banking sector can contribute to Sri Lanka's shift towards a low-carbon economy. Achieving the distinction of being the first carbon-neutral bank in Sri Lanka in 2020 underscores the success of its innovative measures to significantly diminish its carbon footprint, as well as that of its customers and other stakeholders. The Bank received the Best Corporate Citizen Sustainability Award for 2021 from the Ceylon Chamber of Commerce in recognition of its carbon-neutral accomplishment.

The Bank's initiatives to protect the environment encompass a restorative mangrove rehabilitation project, financial support for a conservation programme benefitting pollution-threatened turtles and a regeneration effort to reclaim degraded forest land. Additionally, these initiatives involve providing loans to promote eco-friendly operations, encouraging customers to adopt paperless banking and minimising the consumption of non-renewable energy, water and other resources in its operational processes.

Environmental conscience

The Bank is deeply involved in concrete environmental preservation endeavours, concentrating on minimising operational emissions and advocating for energy

conservation. Additionally, the Bank actively engages in vital projects dedicated to ecosystem preservation. These actions serve as clear manifestations of the Bank's steadfast dedication to safeguarding biodiversity and preserving ecosystems.

The Bank actively engages its employees in environmental initiatives, aiming to cultivate a culture of environmental awareness and responsibility within the Bank. Through targeted programmes such as environmental training, internal communications and green office practices, employees are encouraged to adopt sustainable behaviours. Additionally, initiatives like employee engagement programmes, reward schemes and competitions further promote environmental consciousness. Local employees play a crucial role in all environmental projects, facilitating easy monitoring, fostering ownership and raising awareness, thereby ensuring the long-term sustainability of these initiatives.

Contribution during the year 2023

Figure – 37

12,000 trees planted

"Trees for Tomorrow"

Over 22,000

Sea turtles released

Scientific research study on the Mangrove Eco System in Koggala Lagoon



Trees for Tomorrow

The "Trees for Tomorrow" initiative engaged the entire branch network, highlighting the strength of collaboration and cross-functional teamwork. Orchestrated by a dedicated team, the event successfully planted an impressive 12,000 trees nationwide, showcasing a commitment to environmental stewardship and the impactful results achievable through collective efforts. Looking forward, an ambitious goal of planting an additional 100,000 trees signifies a commitment to a substantial and lasting contribution to the environment. This objective extends beyond a numerical target, symbolising a determination to act as a catalyst for positive change and environmental sustainability.

Crucially, the "Trees for Tomorrow" project emphasises the significance of staff engagement on a volunteer basis. This aspect is integral to the sustainability philosophy, fostering a sense of community and shared responsibility among staff members. Through active participation in initiatives like tree planting, employees become ambassadors for sustainability, contributing to a more sustainable and green environment and cultivating a culture of environmental consciousness within the organisation.

Mangrove restoration project

The Bank has strategically pinpointed areas where human activities have negatively impacted the well-being of nature and has undertaken initiatives to restore and enhance the harmony between fauna, flora and human settlements. A mangrove planting project, conducted in partnership with Wildlife and Ocean Resource Conservation around Koggala Lagoon, aims to combat land erosion on 21 islands in the vicinity. During 1st, 2nd and 3rd Phases of the project more than 12,000 mangrove plants were planted to cover 1.25 kilometres in the Kathduwa and Madol Duwa.

In 2023 under the 4th phase, the initiative extends beyond reforestation, significantly contributing to scientific research while uncovering new mangrove species focused on a holistic approach ensuring project sustainability, the project also boosts community income through eco-friendly measures, such as catamaran promotion and support the traditional cinnamon industry. With an emphasis on directed tourism, the project ensures enduring success, merging scientific insight with community economic well-being.

Turtle Conservation Project

The Turtle Conservation Project, initiated in collaboration with Wildlife and Ocean Resource Conservation, focuses on protecting sea turtles, which are classified as an endangered species by the IUCN, at Panama beach. Utilising a natural methodology known as in situ conservation, over 72,000 turtles have been released into the deep sea since 2019. In 2023, the Bank allocated Rs. 4 Mn. towards the conservation of turtles.

Memberships



The Bank's membership in various international and local alliances and affiliations underscores its commitment to collective action in curbing GHG emissions and promoting green environmental measures, which lie at the heart of sustainability. These alliances and affiliations serve as essential platforms for collaboration,

knowledge sharing and coordinated efforts towards achieving environmental objectives. By aligning with like-minded organisations, the Bank strengthens its position as a consolidated force on the ground, leveraging collective resources and expertise to address pressing environmental challenges. Through these partnerships, the Bank demonstrates its dedication to sustainability and its recognition of the importance of collaborative action in safeguarding the planet for future generations.

The Bank is a member of the following international and local alliances and affiliations:

- 1 Sustainability Banking Initiative of the Sri Lanka Banks' Association
- 2 United Nations Global Compact (UNGC)
- 3 Business and Biodiversity Platform of Sri Lanka
- 4 International Finance Corporation (IFC)

CSR Projects in Bangladesh

The Bank carried out the following CSR projects in Bangladesh:

Name of the Organisation	Name of the Project	Amount in BDT Mn.
Bangladesh Environment and Development Society (BEDS)	Tree Plantation	0.5
Thengamara Mohila Sabuj Sangha (TMSS)	Tree Plantation	0.5
Prime Minister's Education Assistance Trust (PMEAT)	CSR expenditure in PMEAT	0.5
Society for the Welfare of Autistic Children (SWAC)	Education and training programme of autism and neuro-diverse children and youths	1.0
Bangladesh Bank (Mr Shahneoaj Sumon, Joint Director)	Blood Cancer Treatment	0.5
Bangladesh Buddhist Foundation International Buddhist Monastery; • SWISTICK; • Ghasful; • Ipositive, • Sylhet Branch • BBK	Winter Cloth Distribution	0.9
Bangladesh Disabled Development Trust (BDDT)	Publication of Brail Magazine "Dristi Bijoyee" for Blind Children	0.1
NGO's (TMSS, BRAC, Sajida Foundation)	Special CSR (This amount has been adjusted from Special CSR which disbursed in the year of 2021 as per BBK BRPD Circular No. 09 dated April 26, 2021)	5.3
Total		9.3



Financial review 2023

This financial review offers insights into the Bank's performance during the year under review. It should be read in conjunction with the Operating Context and Outlook section (pages 48 to 53), which outlines global, local and sector trends influencing the Bank's performance and the Management Discussion and Analysis section (pages 62 to 159), which elaborates how the Bank enhanced its financial and other capitals within the context of its Sustainability Framework and strategic imperatives.

Performance of the Group

An overview

In a period marked by lingering effects of the challenges from previous years, the Commercial Bank Group, comprising Sri Lanka's largest private sector bank, its subsidiaries and the associate, concluded the year 2023 with robust operational performance. The Group's assets grew to Rs. 2.656 Tn., marking a 6.24% (2022: 26.02%) increase from Rs. 2.500 Tn. at the end of 2022. Notably, the Group's gross income experienced a significant growth, rising by 21.82% (2022: 71.31%) to reach Rs. 341.566 Bn. compared to Rs. 280.387 Bn. in 2022. Moreover, the total operating income and profit after tax for the year amounted to Rs. 122.070 Bn. (2022: Rs. 136.637 Bn.) and Rs. 21.900 Bn. (2022: Rs. 24.399 Bn.), respectively, demonstrating the Group's resilience and adaptability in navigating challenging economic conditions.

With the Bank representing 97.17% of the total assets (2022: 97.05%) and 93.43% of the Group's profit after tax (2022: 94.14%), the following analysis delves into the Bank's financial performance in detail. Subsequently, a brief overview of the Bank's operations in Bangladesh, other overseas operations, local subsidiaries and the associate is given on pages 128 to 131.

Performance of the Bank

An overview

The Bank's total assets exceeded the Rs. 2.500 Tn. milestone, marking a significant achievement as the first private sector commercial bank to do so, reaching Rs. 2.580 Tn. by December 31, 2023, compared to Rs. 2.426 Tn. in 2022, reflecting a growth of 6.37% (2022: 24.45%). This growth, amounting to Rs. 154.530 Bn., was primarily supported by an increase in deposits, which grew by Rs. 170.687 Bn., or 8.92% (2022: 32.66%), surpassing the Rs. 2.000 Tn. mark for the first time and reaching Rs. 2.085 Tn. by year-end, compared to Rs. 1.914 Tn. in

2022. Notably, Commercial Bank achieved the milestone of being the first private sector bank to surpass Rs. 2.000 Tn. in deposits in the fourth quarter of 2023, maintaining this status to date. The lending portfolio, adjusted for provision for impairment, grew by Rs. 45.917 Bn., or 4.06% (2022: 11.42%), reaching Rs. 1.176 Tn. by the end of the year, compared to Rs. 1.130 Tn. in 2022. It is noteworthy to mention that the Bank was able to increase its market share in total assets, deposits and loans and advances to 13.01%, 12.98% and 11.76% in 2023, respectively from 12.49%, 12.51% and 10.78% respectively, at the end of 2022, as shown in Table 06 on page 52. on the Bank's performance in 2023 compared to the Banking Sector.

It is pertinent to mention that the Bank achieved the above milestones despite the appreciation of the Rupee to 324.25 from 367.00 against the USD by 13.18% during the year.

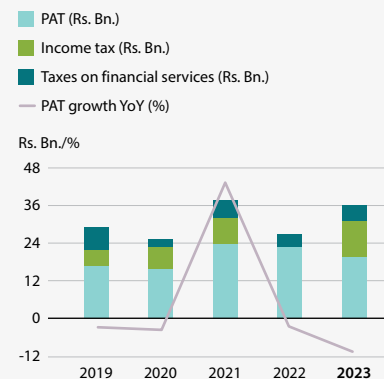
In 2023, the Bank's profit after tax amounted to Rs. 20.461 Bn., showing a decrease of 10.92% compared to Rs. 22.970 Bn. in 2022, which had experienced a negative growth of 2.70%. This decline is noteworthy considering the high tax regime throughout 2023, contrasting with 2022, where high taxes only affected the second half of the year.

The total operating income for 2023 decreased to Rs. 118.109 Bn., down by 11.12% from Rs. 132.888 Bn. reported in 2022, which had seen a significant increase of 45.40%.

However, impairment charges and other losses for 2023 decreased to Rs. 38.624 Bn., marking a 45.95% reduction compared to Rs. 71.462 Bn. recorded in 2022, which had shown a substantial increase of 189.41%, as detailed on page 306 under "Impairment charges and other losses". This decrease contributed to the Bank's improvement in net operating income to Rs. 79.486 Bn., up by 29.40% in 2023 from Rs. 61.427 Bn. recorded in 2022, which had decreased by 7.91%.

The total operating expenses of the Bank increased to Rs. 42.644 Bn., showing an increase of 22.06% (compared to 20.92% in 2022) from Rs. 34.936 Bn. reported in 2022. Consequently, the profit before tax of the Bank improved to Rs. 31.880 Bn. in 2023 from Rs. 22.598 Bn. in 2022, marking a growth of 41.07% (as against the negative growth of 29.38% in 2022).

Graph – 20: Profit growth



The Colombo Stock Exchange witnessed a notable turnaround from its subdued performance in 2022, with both the ASPI and S&P SL20 indices experiencing significant gains by the end of 2023. The ASPI surpassed the 10,000-point mark, rising from 8,500 points, marking a substantial growth of 25.50%. Similarly, the S&P SL20 index exceeded the 3,000-point threshold, showing a notable growth of 16.42%. Against this backdrop, the banking sector observed a remarkable surge in both trading volumes and share prices, attributed to the dissipation of perceived elevated risks associated with the sector stemming from the unprecedented operating conditions of 2022. The banking sector index more than doubled, reaching nearly 800 points by the end of the period. The Bank's shares maintained the highest price-to-book value and market capitalisation among its peers in the banking sector. Consequently, the Bank's market capitalisation ranking improved, moving from twelfth place among all listed companies on the Colombo Stock Exchange as of December 31, 2022, to ninth place by December 31, 2023.

Taking into account the Bank's performance during the year, along with its dividend policy, capital augmentation plan and commitment to providing a reasonable return to shareholders, the Board of Directors has proposed a first and final dividend of Rs. 6.50 per share for the year 2023. This dividend consists of a cash dividend of Rs. 4.50 per share and a scrip dividend of Rs. 2.00 per share. In 2022, the Bank paid only a scrip dividend of Rs. 4.50 per share.

Income statement

Financial intermediation

The gross income increased by 21.90% in 2023, compared to the substantial growth of 71.20% in 2022, reaching Rs. 335.770 Bn., from Rs. 275.444 Bn., reported in 2022. This

growth was mainly driven by significant contributions from both fund-based and fee-based operations, although other revenue sources experienced a decline, as elaborated below under "Other Income". Given that the growth in gross income outpaced the growth in average assets for the year, which stood at 14.43% in 2023 (compared to 18.71% in 2022), the financial intermediation margin (calculated as gross income divided by average total assets) improved to 13.41% by the end of 2023, compared to 12.59% in 2022, representing an improvement of 82 basis points (bps). The financial intermediation margin for the banking sector as a whole stood at 14.56% in 2023.

Fund-based operations

Interest income, constituting 87.15% of the gross income amounting to Rs. 335,770 Bn. (compared to 79.26% in 2022), rose to Rs. 292,618 Bn. in the year from Rs. 218,327 Bn. in 2022, recording an improvement of 34.03% (compared to 67.37% in 2022). This increase was primarily driven by growth in both the average interest-earning assets by Rs. 262,721 Bn. and the average interest rate on interest-earning assets by 2.03%.

The growth in average interest-earning assets was primarily fueled by excess liquidity resulting from the increase in deposits outpacing the growth in loans and advances, leading to investments in Government securities. Notably, the negative growth observed in loans and advances for most part of the year reversed in the fourth quarter, registering a year-on-year growth of 3.76% in gross loans and advances. The average interest rate on interest-earning assets improved due to the re-pricing effect of maturing low-yielding treasury investments and loans and advances being reinvested/granted at relatively higher rates. Interest income earned from sources other than loans and advances contributed 46.44% of total interest income, compared to 34.46% in 2022, marking an increase of 80.62% compared to 46.47% in 2022. Meanwhile, interest income from loans and advances increased by 9.53% in 2023 (compared to 80.95% growth in 2022), accounting for 53.56% of the total interest income, compared to 65.54% in 2022.

Interest expenses, comprising 71.60% of the interest income (compared to 62.56% in 2022), rose to Rs. 209,515 Bn. during the year from Rs. 136,583 Bn. in 2022, marking a significant increase of 53.40% (compared to a growth of 107.47% in 2022). This increase was primarily driven by growth in average interest-bearing liabilities by Rs. 230,566 Bn. and the rise in the average cost of funds by

2.76%, attributed to the impact of high-cost funding mobilised in 2022. However, the gradual improvement of the CASA ratio of the Bank, considered an industry benchmark, from 38.36% at the end of 2022 to 39.23% at the end of 2023, had a positive impact on the cost of funds.

As a result, the Bank's net interest income increased to Rs. 83,104 Bn. from Rs. 81,744 Bn. recorded in 2022, recording a marginal growth of 1.66% (compared to 26.52% in 2022) and represented 70.36% of the total operating income (compared to 61.51% in 2022). However, the Bank's net interest margin, which indicates the difference between the return on interest-earning assets and the cost of funds of interest-bearing liabilities, declined by 73 basis points to 2.82% in 2023 compared to 3.55% reported in 2022.

Fee-based operations

Fee and commission income reached Rs. 29,704 Bn., compared to Rs. 25,464 Bn. in 2022, reflecting a growth of 16.65% (compared to 65.24% in 2022). This increase was primarily driven by higher income from credit and debit card-related services and other financial services provided during the year.

Fee and commission expenses, primarily associated with credit and debit card-related services, rose to Rs. 8,146 Bn. from Rs. 5,973 Bn. in 2022, marking an increase of 36.39% (compared to 63.24% in 2022). Consequently, net fee and commission income increased to Rs. 21,558 Bn. compared to Rs. 19,491 Bn. in 2022, showing a growth of 10.60% (compared to 65.86% in 2022). This income accounted for 18.25% of the total operating income (compared to 14.67% in 2022).

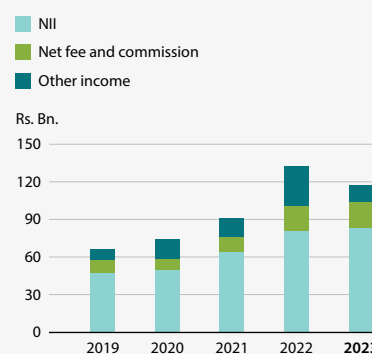
Other income

The Bank's total other income, consisting of net gains or losses from trading, net gains or losses from derecognition of financial assets and net other operating income, decreased by 57.52% to Rs. 13,448 Bn. for the year, compared to Rs. 31,653 Bn. reported in 2022 (which had seen a growth of 110.57%). The primary factor contributing to this decline was the significant exchange losses incurred by the Bank from swap/forward transactions due to the sharp appreciation of the Sri Lankan Rupee against the US Dollar, reaching Rs. 324.25 at the end of 2023 from Rs. 367.00 at the end of 2022, an appreciation of 13.18%. However, the impact of these losses was partially offset by exchange gains resulting from the revaluation of assets and liabilities.

Total operating income

Although there were improvements in both net interest income and net fee and commission income, the total operating income of the Bank declined to Rs. 118,109 Bn., representing a decrease of 11.12% compared to Rs. 132,888 Bn. reported in 2022 (which had experienced a growth of 45.40%). This decrease was primarily attributed to a substantial drop in other income by Rs. 18,205 Bn. or 57.52%, as explained previously.

Graph – 21: Total operating income



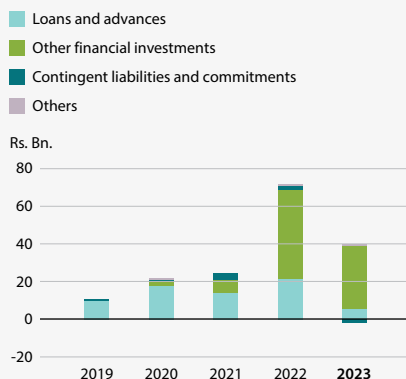
Impairment charges and other losses

Impairment charges and other losses for the year decreased significantly to Rs. 38,624 Bn., down by Rs. 32,838 Bn. or 45.95% (as opposed to an increase of 189.41% in 2022) from Rs. 71,462 Bn. reported in 2022, which marked the highest provision ever made by the Bank for a single year in its history.

The substantial increase in 2022 was primarily attributed to the Bank setting aside Rs. 47,134 Bn. for foreign currency-denominated securities issued by the Government of Sri Lanka following the downgrade of the sovereign rating, along with an additional Rs. 24,150 Bn. allocated for individual and collective impairment provisions for loans and advances. This provision also included management overlays to address potential losses not captured by impairment models due to the prevailing high level of uncertainty and volatility throughout the year.

For the year under review, the impairment provision consisted of Rs. 33,830 Bn. for foreign currency-denominated securities issued by the Government of Sri Lanka and Rs. 5,690 Bn. for loans and advances.

Graph – 22: Impairment charges



Net operating income

The net operating income for the year rose to Rs. 79.486 Bn., marking an increase of 29.40% (as against a negative growth of 7.91% in 2022) from Rs. 61.427 Bn. reported in 2022. This increase was primarily driven by the decrease in impairment charges and other losses, which more than offset the negative growth in total operating income as explained earlier.

Operating expenses

Total operating expenses for the year amounted to Rs. 42.644 Bn., compared to Rs. 34.936 Bn. reported in 2022, marking an increase of Rs. 7.708 Bn., or 22.06% (compared to 20.92% in 2022). This increase was primarily driven by an increase in personnel expenses by 14.96% (compared to 17.10% in 2022), reaching Rs. 21.972 Bn. from Rs. 19.113 Bn. in 2022, due to salary increments and other staff related expenses. Additionally, other operating expenses for the year also increased by 33.68% (compared to 30.54% in 2022) to Rs. 16.389 Bn. from Rs. 12.260 Bn. in 2022, attributed to price hikes across various expense categories, exchange impact of the higher foreign currency-related payments for asset maintenance and increased indirect taxes. Depreciation and amortisation expenses also rose to Rs. 4.284 Bn., marking a 20.21% increase (compared to 12.11% in 2022), primarily due to investments made in IT-related assets.

Consequently, the Bank's Cost to Income ratio (excluding taxes on financial services) for 2023 increased to 36.11% for the year from 26.29% in 2022.

Operating profit before taxes on Financial Services and taxes on Financial Services

Due to the growth in net operating income surpassing the increase in total operating expenses, as discussed earlier, the operating profit before taxes on Financial Services improved by 39.07% (as against the negative growth of 29.94% in 2022), reaching Rs. 36.842 Bn. from Rs. 26.491 Bn. in 2022.

Taxes on Financial Services rose to Rs. 4.961 Bn., marking a 27.47% increase (as against the negative growth of 33.00% in 2022) from Rs. 3.892 Bn. in 2022. This increase was attributed to the introduction of the Social Security Contribution Levy of 2.5% effective from October 1, 2022 and the rise in amount of the in value addition attributable to the supply of financial services in 2023.

Consequently, the Bank's Cost to Income ratio (including taxes on financial services) for 2023 increased to 40.31% for the year from 29.22% in 2022.

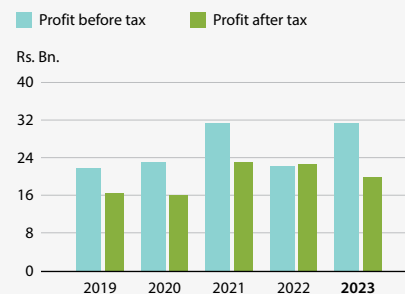
Profit before and after taxes

Due to the increase in operating profit before taxes on financial services outpacing the growth in taxes on financial services, as explained earlier, the profit before taxes for the year increased to Rs. 31.880 Bn., recording a growth of 41.07% (as against the negative growth of 29.38% in 2022).

The income tax charge for the year amounted to Rs. 11.419 Bn., in contrast to a tax reversal of Rs. 0.371 Bn. in 2022. This reversal in 2022 was primarily due to an increase in deferred tax assets resulting from the change in the income tax rate to 30% effective from July 01, 2022, compared to the previous rate of 24%. The overall reversal in deferred tax exceeded the current tax liability for 2022, which was computed at two different income tax rates: 24% for the first half of the year and 30% for the second half of the year for the Bank's operations in Sri Lanka. The tax rate for the Bank's operations in Bangladesh remained at 40% for both years.

Consequently, the profit after tax for the year recorded a negative growth of 10.92% (compared to the negative growth of 2.70% in 2022) and amounted to Rs. 20.461 Bn., compared to Rs. 22.970 Bn. reported for 2022.

Graph – 23: Profit before and after tax

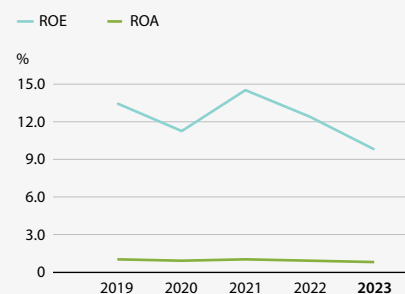


Profitability

Reflecting the decline in profit after tax and the relatively higher growth in total assets and equity throughout the year, both the Return on Assets (ROA) and Return on Equity (ROE) decreased to 0.82% (compared to 1.05% in 2022) and 9.78% (compared to 12.46% in 2022) respectively.

However, the ROA (before tax) for the year increased to 1.27% (compared to 1.03% in 2022) due to the growth in profit before tax as explained earlier.

Graph – 24: ROE and ROA



Other Comprehensive Income (OCI)

The Bank reported a loss of Rs. 8.465 Bn. in Other Comprehensive Income during the year, contrasting with a profit of Rs. 26.215 Bn. reported in 2022. This was primarily due to a loss of Rs. 11.086 Bn. (as against the gain of Rs. 14.877 Bn. in 2022) on the translation of financial statements of the Bank's foreign operations. However, this loss for the year was partially offset by a net gain of Rs. 1.899 Bn. recognised fair valuation of investments in Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), which was derived after discounting Rs. 3.542 Bn. recognised in profits as gains on disposal of financial assets at FVOCI during the year.

In contrast, in 2022, there was a reversal in fair value losses due to the reclassification of debt instruments from Fair Value through Other Comprehensive Income (FVOCI) to Amortised Cost (AC), amounting to Rs. 12.292 Bn. This was due to the Bank's decision to reclassify a significant portion of its Treasury Bond Portfolio amounting to Rs. 197.075 Bn., Sri Lanka Development Bond (SLDB) portfolio amounting to Rs. 55.473 Bn. (USD 152.19 Mn.) and the entire Sri Lanka Sovereign Bond (SLSB) portfolio amounting to Rs. 39.596 Bn. (USD 108.63 Mn.) from the FVOCI category to AC category, effective from April 01, 2022, in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on "Reclassification of Debt Portfolio due to unprecedented changes in the macro-economic conditions".

The aforementioned fair value loss of Rs. 12.292 Bn. comprised the cumulative losses that the Bank recognised (net of tax) in equity through OCI prior to the reclassification. Furthermore, the effect of the loss of Rs. 11.086 Bn. on the translation of financial statements of the Bank's foreign operation for 2023 was partly offset by the net surplus on the revaluation of freehold land and buildings of the Bank, amounting to Rs. 1.012 Bn., recognised in equity through OCI.

In 2022, there was an increase in the deferred tax liability recognised on the cumulative surplus on the revaluation of freehold land and buildings of the Bank, amounting to Rs. 0.799 Bn., due to the increase in the income tax rate to 30% effective from July 2022 from the earlier income tax rate of 24%.

As a result, the total comprehensive income of the Bank for the year 2023 reduced to Rs. 11.996 Bn., compared to Rs. 49.185 Bn. reported in 2022, reflecting a negative growth of 75.61% (as against the growth of 281.24% in 2022).

Statement of Financial Position

In 2023, the Bank achieved two significant milestones, continuing its trend of pioneering achievements. Firstly, it became the first private sector bank in the country to exceed Rs. 2.5 Tn. in total assets, reinforcing its position as a leader in the banking sector. Secondly, it surpassed the Rs. 2 Tn. mark in deposits, further solidifying its status as the benchmark private sector bank in the country. These accomplishments add to the Bank's legacy of being the first private sector bank to surpass the Rs. 1 Tn. mark in total

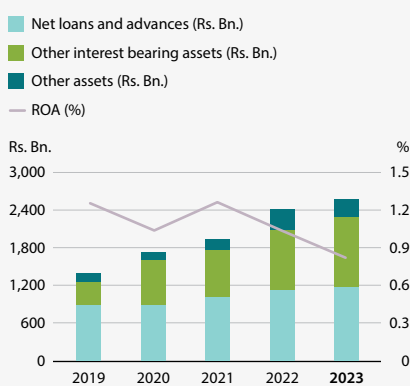
assets (achieved in 2016), deposits (achieved in 2019) and loans and advances (achieved in 2021).

Assets

During the year, the Bank's total assets grew by 6.37% (compared to 24.45% in 2022), reaching Rs. 2.580 Tn. from Rs. 2.426 Tn. at the end of the previous year. This growth significantly exceeded the industry's asset growth of 2.16% (compared to 17.72% in 2022). This notable increase was primarily attributed to increased investments in Government Securities, driven by excess liquidity resulting from deposit growth outpacing the expansion of loans and advances.

However, it is important to note that the projected asset growth was hindered by the downward revaluation effect of the Bank's assets and liabilities denominated in foreign currency. This was due to the sharp appreciation of the Rupee against the US dollar during the year, contrasting with the Rupee's sharp depreciation against the US dollar witnessed during the previous year.

Graph – 25: Composition of total assets



Loans and advances to customers

Reversing the trend observed in the first half of 2023, credit to the private sector increased during the latter part of the year. As of December 31, 2023, gross loans and advances amounted to Rs. 1.266 Tn., compared to Rs. 1.220 Tn. a year ago. The net loans and advances stood at Rs. 1.176 Tn. as of December 31, 2023, compared to Rs. 1.130 Tn. at the end of 2022, reflecting a growth of 4.06% (compared to 11.42% in 2022). Loans and advances accounted for 45.59% of total assets as of December 31, 2023, marginally lower than the 46.60% reported in 2022.

The Bank maintained its position as the largest lender to the SME sector in Sri Lanka. (see page 79 for details). Additionally, the gross loans and advances of the Bank's operations in Bangladesh experienced a growth of 24.13% in 2023 (as against the negative growth of 11.27% in 2022) in BDT terms.

Asset quality

The quality of loans and advances serves as a critical factor in assessing the sustainability of the Bank's operations. Despite challenging macro-economic conditions that prevailed in the country in 2023, the Bank maintained a conservative risk profile, coupled with a moderate risk appetite and a robust risk management framework. This approach resulted in both the net impaired loans (Stage 3) to total loans and advances ratio (including undrawn commitments) and impaired loans (Stage 3) to total loans and advances ratio (excluding undrawn commitments) standing at 5.85% (2022: 5.25%) and 11.34% (2022: 9.41%), respectively, by the end of 2023. These figures compare favourably to industry averages of 13.56% (2022: 11.26%) and 13.41% (2022: 11.61%), respectively, indicating the Bank's prudent risk management practices. Although there was a deterioration in both the above ratios in 2023 due to the unprecedented macro-economic conditions that prevailed in the country, it is worth noting that both ratios remain within acceptable levels when compared to industry averages.

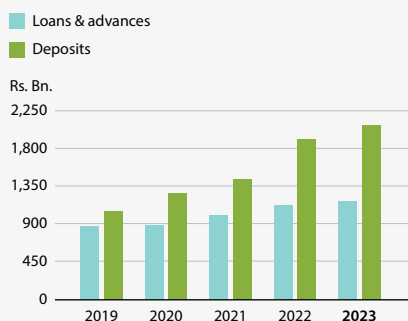
Additionally, the impairment (Stage 3) to Stage 3 loans ratio (Stage 3 impairment coverage ratio) and the cumulative impairment provisions for loans and advances as a percentage of the total loans and advances (total impairment coverage ratio) stood at 44.03% (2022: 40.42%) and 7.05% (2022: 7.32%), respectively, by the end of 2023. These figures, though showing a slight deterioration compared to the previous year, remain acceptable compared to industry averages. The Bank continued to review and adjust the stage assessment criteria for loans and advances to accurately reflect the associated risks with customers.

Moreover, the open credit exposure ratio, representing the net exposure on Stage 3 loans as a percentage of regulatory capital, stood at 38.69% at the end of 2023 (2022: 34.41%) compared to industry averages of 45.39% (2022: 44.00%), indicating prudent risk management practices in mitigating credit risks.

Furthermore, the Bank's loans to customers portfolio is well diversified across various industry sectors, with no significant

exposure to any particular sector, ensuring resilience against sector-specific risks. Additional details regarding the sector-wise distribution of loans to customers can be found on page 328.

Graph – 26: Deposits & advances



Deposits

With our solid franchise, customer deposits continued to remain the primary source of funding for the Bank, constituting 80.81% of the total assets as of December 31, 2023 (2022: 78.92%), compared to the industry average of 80.97% (2022: 78.79%). Deposits grew by 8.92% to reach Rs. 2.085 Tn. by the end of 2023, compared to the growth rate of 32.66% in 2022, which was influenced by the sharp depreciation of the Rupee against the US Dollar during that period. The growth in deposits for the year amounted to Rs. 170.687 Bn.

Despite these challenges, the Bank's CASA ratio marginally improved to 39.23% as of December 31, 2023, compared to 38.36% in 2022, which is considered the industry best compared to the industry average of 30.61% in 2023 (2022: 31.18%).

Other liabilities

The substantial increase in deposit liabilities compared to the relatively lower growth in loans and advances resulted in the Bank having excess liquidity throughout the year. Total other liabilities at the year-end amounted to Rs. 280.351 Bn., compared to Rs. 307.740 Bn. at the end of 2022. During the year, the Bank raised Rs. 12.000 Bn. through the issuance of BASEL III compliant debentures (compared to Rs. 10.000 Bn. in 2022), while BASEL III compliant debentures worth Rs. 8.294 Bn., issued in 2018 were matured during the year (2022: Nil). Additionally, the Bank successfully settled borrowings from IFC amounting to Rs. 24.100 Bn. in March 2023 obtained in March 2013 to strengthen Tier II Capital.

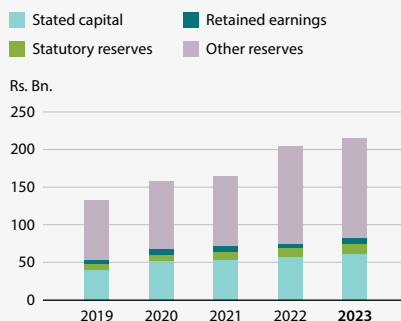
Capital

The Bank is guided by its Internal Capital Adequacy Assessment Process (ICAAP), Capital Augmentation Plan and the Board-approved dividend policy to maintain capital levels aligned with its current and projected business growth. Consequently, supported by the total comprehensive income for the year and the prudent dividend policy, the Bank increased its equity capital by 5.51% (2022: 23.53%) to Rs. 214.931 Bn. as of December 31, 2023, compared to Rs. 203.699 Bn. as of December 31, 2022. With an on-balance sheet multiplier (gearing ratio) of 12.01 times (2022: 11.91 times), equity funded 8.33% (2022: 8.40%) of total assets as of the current year-end, compared to industry averages of 11.52 times (2022: 12.15 times) and 8.68% (2022: 8.23%) respectively. The Bank ploughed back Rs. 12.660 Bn., from the profit for the year 2022 after the payment of one-off surcharge tax and dividends.

The risk-weighted assets of the Bank increased by 1.12% to Rs. 1.371 Tn. as of December 31, 2023, from Rs. 1.356 Tn. as of the end of 2022. Consequently, both the Tier 1 and total capital ratios stood at 11.442% (2022: 11.389%) and 15.151% (2022: 14.657%) respectively, as of December 31, 2023, exceeding the minimum requirements of 10.000% and 14.000% respectively, for 2023. These ratios demonstrate the Bank's compliance with the higher capital adequacy requirements as a Domestic Systemically Important Bank (D-SIB) under Basel III regulations. The equity multiplier, in terms of risk-weighted assets to regulatory total capital, decreased to 6.60 times from 6.82 times a year ago.

Under the CBSL Basel III regulations, the Bank is classified as one of the highest-graded D-SIBs, highlighting its significance to the Sri Lankan economy.

Graph – 27: Shareholders' funds



Liquidity

The growth in deposits continued to surpass the growth in loans and advances during the current year as well, prompting the Bank to invest excess liquidity in Government securities. Despite unprecedented volatility, excess liquidity offers a high level of reassurance to the Bank and positions it to capitalise on anticipated increases in credit demand in the future. Given its significance, liquidity review remains a permanent agenda item in the Bank's fortnightly ALCO meetings. The consolidated liquid assets ratio of the Bank's Sri Lankan operations stood at 46.06% (2022: 35.88%), compared to the statutory minimum requirement of 20%.

The gross loans to deposits ratio was 60.70% (2022: 63.71%). Available stable funding, as defined by the CBSL, amounted to Rs. 1.933 Tn. as of December 31, 2023 (2022: Rs. 1.768 Tn.), leading to a Net Stable Funding Ratio (NSFR) of 193.70% (2022: 173.58%), comfortably above the statutory minimum of 100% for 2023 (2022: 90%). This underscores the Bank's ability to meet its long-term funding requirements.

Moreover, the Liquidity Coverage Ratio (LCR) for all currencies and the Liquidity Coverage Ratio for the Rupee stood at 516.27% (2022: 293.91%) and 491.61% (2022: 405.91%) respectively, as of December 31, 2023, well exceeding the statutory minimum of 100% (2022: 90%) for both ratios for 2023. These ratios highlight the Bank's ample supply of unencumbered high-quality liquid assets, ensuring its ability to withstand short-term liquidity disruptions.

Segmental performance

The Corporate and the Personal Banking Divisions made a significant contribution to the Group's profit before tax in 2023, primarily driven by a reduction in impairment charges and other losses. The International Operations too enhanced its contribution to the Group's profit before tax during the year, largely attributed to rises in net interest income and foreign exchange profits. However, the Treasury Division of the Bank experienced a substantial loss for the year 2023, albeit lower than the previous year, mainly due to additional impairment provisions related to USD-denominated Government Securities following the downgrade of the country's sovereign rating and the impact of interest rate volatility on the Funding Centre being borne by the Treasury.

For a detailed analysis of segmental performance, please refer to pages 126 and 127 and the Note 61 to the Financial Statements on Operating Segments on pages 382 and 383.

Quarterly financial performance and the financial position of both the Group and the Bank for 2023 and 2022 can be found on pages 132 to 137, while the Bank's performance in terms of key indicators over the past 10 year period is given in the "Decade at a Glance" section on pages 138 to 141.

The Financial Soundness Indicators presented below offer valuable insights into the financial robustness and stability of the Bank.

Core Financial soundness indicators (FSIs)

Table - 22

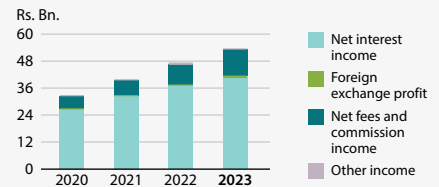
Financial soundness indicator (%)	2023	2022	2021	2020	2019
Capital Adequacy (under Basel III)					
Common equity Tier 1 ratio (current minimum requirement – 8.5%)	11.44	11.39	11.92	13.22	12.30
Tier 1 capital ratio (current minimum requirement – 10%)	11.44	11.39	11.92	13.22	12.30
Total Capital Ratio (current minimum requirement – 14%)	15.15	14.66	15.65	16.82	16.15
Asset quality:					
Impaired loans (Stage 3) ratio (based on existing regulatory provisions which includes undrawn commitments)	5.85	5.25	3.85	6.78	N/A
Impairment (Stage 3) to Stage 3 loans ratio (based on existing regulatory provisions which includes undrawn commitments)	43.22	39.60	42.76	30.87	N/A
Total impairment coverage ratio	7.05	7.32	5.94	5.38	3.89
Cost of credit risk	0.45	1.80	1.35	1.88	1.09
Open credit exposure ratio (Net exposure on NPCFs as a % regulatory capital)	38.69	34.41	25.33	N/A	N/A
Non-performing credit facilities (NPCFs) – (net of impairment) to equity	37.38	33.56	26.69	N/A	N/A
Earnings and profitability:					
Net interest income to total operating income	70.36	61.51	70.69	66.15	71.51
Net fee and commission income to total operating income	18.25	14.67	12.86	12.35	15.59
Other income to total operating income	11.39	23.82	16.45	21.50	12.91
Operating expenses to gross income	12.70	12.68	17.96	16.99	17.10
Impairment charge to total operating income	32.70	53.78	27.02	28.67	16.76
Cost to income ratio (including taxes on financial services)	40.31	29.22	37.97	39.96	49.41
Cost to income ratio (excluding taxes on financial services)	36.11	26.29	31.61	33.95	38.51
Financial intermediation margin (gross income to average assets)	13.41	12.59	8.73	9.59	11.05
Interest margin (net interest income to average assets)	3.32	3.74	3.51	3.17	3.51
Return on assets (ROA) – before income tax	1.27	1.03	1.74	1.51	1.66
Return on assets (ROA) – after income tax	0.82	1.05	1.28	1.05	1.27
Return on equity (ROE)	9.78	12.46	14.66	11.28	13.54
Liquidity:					
Statutory liquid assets ratio (consolidated – Sri Lankan Operations) – (current minimum requirement – 20%)	46.06	35.88	N/A	N/A	N/A
Liquidity coverage ratio (LCR) – Rupee – (current minimum requirement – 100%)	491.61	405.91	425.97	599.38	158.79
Liquidity coverage ratio (LCR) – All currency – (current minimum requirement – 100%)	516.27	293.91	242.52	422.86	224.74
Net Stable funding ratio (NSFR) – (current minimum requirement – 100%)	193.70	173.58	157.47	157.49	137.05
CASA ratio (current and saving deposits as a % of total deposits)	39.23	38.36	47.83	42.72	37.10
Gross loans and advances to deposits ratio	60.70	63.71	74.75	74.87	87.39
Assets and funding structure:					
Deposits to gross loans and advances	164.75	156.96	133.78	133.56	114.43
Deposits to total assets	80.81	78.92	74.03	72.92	75.92
Borrowings to total assets	1.91	3.20	3.64	5.35	4.41
Equity to total assets	8.33	8.40	8.46	9.05	9.60

Segmental analysis

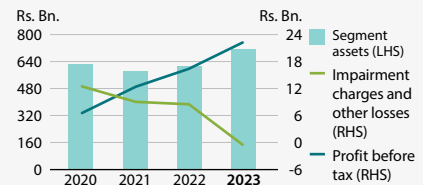
Personal banking

- Highest contributor to the Group in terms of net interest income, net fee and commission income and net operating income.
- Total operating income increased by 13.39% to Rs. 53.652 Bn., contributing almost 44% to the Group.
- Profit before tax increased by 35.97% to Rs. 22.335 Bn.
- Accounted for more than one fourth of the assets of the Group as at end of 2023.
- Impairment charges decreased by 108.16% mainly due to the reversal in impairment provisions consequent to the revision of the Economic Factor Adjustment (EFA) in line with the latest available macro economic forecasts.

Graph – 28: Total operating income



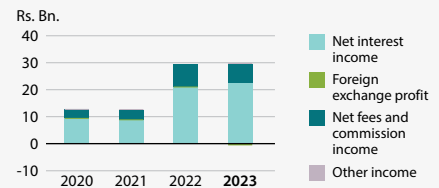
Graph – 29: Assets Vs Profit before tax vs Impairment charges



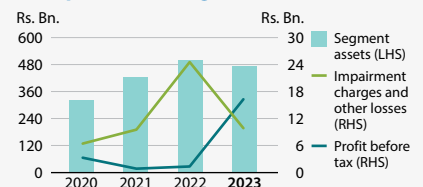
Corporate banking

- Net operating income and profit before tax increased to Rs. 19.179 Bn. and Rs. 16.561 Bn., respectively with significant increases of 403.39% and 1,408.29% respectively. The main contributory factor for the above increases was the decrease in impairment charges and other losses by 61.37%
- as a result of the reversal in impairment provisions consequent to revision of the Economic Factor Adjustment (EFA) in line with the latest available macro economic forecasts.
- Accounted for almost one fifth of the assets of the Group as at end of 2023.

Graph – 30: Total operating income



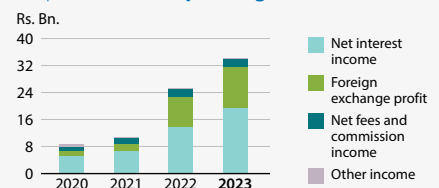
Graph – 31: Assets vs Profit before tax vs Impairment charges



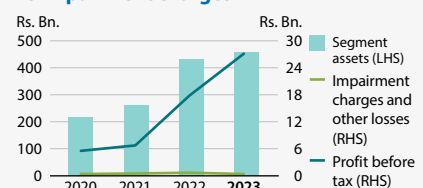
International operations

- Significant increases reported in net interest income and foreign exchange profit by 40.35% and 35.75% respectively.
- Highest contributor to the Group's foreign exchange profit amounting to Rs. 11.888 Bn., mainly due to the net exchange profit reported on revaluation of FCY denominated assets and liabilities of the Bangladesh operations.
- Total operating income increased by 35.29% to Rs. 34.282 Bn.
- The Bangladesh operation of the Bank made a noteworthy contribution of 91.95% of the profit before tax of international operations while having the highest asset base within the segment.
- Profit recorded by Commercial Bank of Maldives Private Limited for the year is the highest profit achieved by the Company during its 7-year history.

Graph – 32: Total operating income



Graph – 33: Assets vs Profit before tax vs Impairment charges



Rs. Bn.	2023	2022	Change	Change as a %
Net interest income	40.715	36.988	3.727	10.08
Foreign exchange profit	0.604	0.385	0.219	56.88
Net fee and commission income	11.802	9.214	2.588	28.09
Other income	0.532	0.729	(0.197)	(27.02)
Total operating income	53.652	47.316	6.336	13.39
Impairment charges and other losses	0.702	(8.602)	9.304	(108.16)
Net operating income	54.354	38.714	15.640	40.40
Profit before tax	22.335	16.427	5.908	35.97
Segment assets	716.364	620.050	96.314	15.53

Rs. Bn.	2023	2022	Change	Change as a %
Net interest income	21.869	20.629	1.240	6.01
Foreign exchange profit	(0.460)	0.121	(0.581)	(480.17)
Net fee and commission income	7.094	8.017	(0.923)	(11.51)
Other income	0.306	(0.029)	0.335	(1,155.17)
Total operating income	28.808	28.739	0.069	0.24
Impairment charges and other losses	(9.629)	(24.928)	15.299	(61.37)
Net operating income	19.179	3.810	15.369	403.39
Profit before tax	16.561	1.098	15.463	1,408.29
Segment assets	472.431	498.406	(25.975)	(5.21)

Rs. Bn.	2023	2022	Change	Change as a %
Net interest income	19.720	14.051	5.669	40.35
Foreign exchange profit	11.888	8.757	3.131	35.75
Net fee and commission income	2.576	2.387	0.189	7.92
Other income	0.098	0.145	(0.047)	(32.41)
Total operating income	34.282	25.339	8.943	35.29
Impairment charges and other losses	(0.239)	(1.091)	0.852	(78.09)
Net operating income	34.043	24.248	9.795	40.40
Profit before tax	26.654	17.424	9.230	52.97
Segment assets	449.873	422.835	27.038	6.39

Dealing/Treasury

- Highest contributor (36.47%) to the Group's total assets of Rs. 2.656 Tn., mainly due to excess liquidity being invested in treasury related products consequent to subdued demand for loans and advances.
- Other income of Rs. 6.821 Bn., highest within the Group, which was generated mainly due to the capital gains on realisation of Government securities.
- Considerable decrease in foreign exchange losses (98.48%) compared to previous year.
- Impairment charges and other losses reduced by 21.06% to Rs. 29.249 Bn.

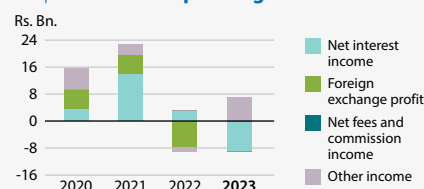
Rs. Bn.	2023	2022	Change	Change as a %
Net interest income	(8.945)	3.214	(12.159)	(378.31)
Foreign exchange profit	(0.119)	(7.823)	7.704	(98.48)
Net fee and commission income	0.024	0.008	0.016	200.00
Other income	6.821	(1.343)	8.164	(607.89)
Total operating income	(2.218)	(5.944)	3.726	(62.69)
Impairment charges and other losses	(29.249)	(37.053)	7.804	(21.06)
Net operating income	(31.467)	(42.997)	11.530	(26.82)
Profit before tax	(32.237)	(44.857)	12.620	(28.13)
Segment assets	968.516	945.053	23.463	2.48

NBFI, Real Estate & Services

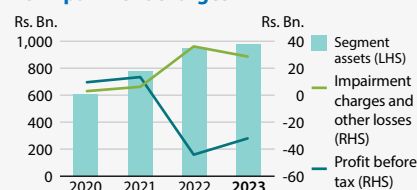
- Commercial Development Company PLC (CDC) was the main contributor in terms of profit before tax due to the increase in fair value gains recognised on investment properties.
- Impairment charges and other losses increased by 92.77%, mainly due to higher impairment charges provided by CBC Finance Ltd (CBCF).
- While accepting the challenge of growing the portfolios in an unprecedented market, CBCF's total assets increased from 13.73%, with a growth in loans and advances portfolio.

Rs. Bn.	2023	2022	Change	Change as a %
Net interest income	0.755	0.679	0.076	11.19
Foreign exchange profit	(0.002)	0.002	(0.004)	(200.00)
Net fee and commission income	0.290	0.180	0.110	61.11
Other income	1.610	1.369	0.241	17.60
Total operating income	2.653	2.230	0.423	18.97
Impairment charges and other losses	(0.480)	(0.249)	(0.231)	92.77
Net operating income	2.173	1.981	0.192	9.69
Profit before tax	0.300	0.542	(0.242)	(44.65)
Segment assets	16.484	14.566	1.918	13.17

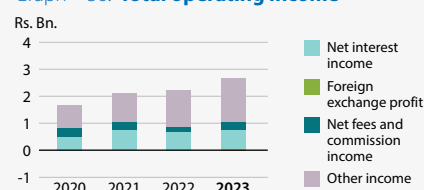
Graph – 34: Total operating income



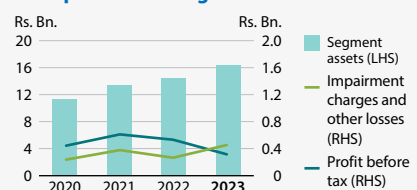
Graph – 35: Assets vs Profit before tax vs Impairment charges



Graph – 36: Total operating income



Graph – 37: Assets vs Profit before tax vs Impairment charges



Performance of the overseas operations, subsidiaries and the associate

Performance of the Bank's Bangladesh Operations

The performance of the Bank's operations in Bangladesh (CBC Bangladesh) will have to be reviewed in conjunction with the Operating Context and Outlook section of this report (☞ refer to pages 48 to 53).

Commencing its operations in Bangladesh in November 2003 by acquiring the banking business of Credit Agricole Indosuez, CBC Bangladesh has emerged as a leading player in the country's banking sector over the past two decades. With a network comprising 20 operating units, including 11 branches, a sub-branch, six SME centers and two offshore banking units, CBC Bangladesh has established a strong foothold in the market. CBC Bangladesh has strategically positioned itself as a premier regional bank, focusing on corporate banking, consumer banking, treasury management and digital banking.

By the end of 2023, CBC Bangladesh possessed a total of twenty-three ATM machines, inclusive of seven in off-site locations. Additionally, at its Motijheel Branch, an Automated Banking Centre (ABC) has been established, featuring a real-time Cash Deposit Machine, Cheque Deposit Machine, KIOSK machine and digital signage.

CBC Bangladesh has achieved recognition as the top-performing regional bank, excelling in deposits, advances and profitability. This success stems from its commitment to delivering excellent service and fulfilling its commitments, with a focus on the following areas:

Corporate Banking:

In the domain of corporate banking, CBC Bangladesh has solidified its reputation as a premier regional bank since its inception. It has achieved this by delivering exceptional relationship banking services to corporate clients, resulting in a significant expansion of its corporate banking portfolio.

Consumer Banking:

In the realm of consumer banking, CBC Bangladesh aims to emerge as the preferred provider of retail, SME and credit card services for its target market. It intends to achieve this goal by leveraging a superior IT platform and offering innovative products. These efforts are directed towards cultivating a healthy deposit mix anchored by a robust savings base.

Treasury Management:

In the sphere of treasury management, CBC Bangladesh ensures consistent and efficient

fund management. Leveraging superior expertise, it offers a range of diversified and innovative treasury products.

Digital Banking:

In the digital banking arena, CBC Bangladesh has launched innovative products, including the unique Digital Banking Product - the e-passbook. CBC Bangladesh also introduced PayMaster for corporate clients, ensuring smooth daily operations. Additionally, CBC Bangladesh has implemented a Two Factor Authentication system for online transactions, along with e-statements and Over the Air PIN (OTAP) for Credit Cards and Internet Banking, incorporating various innovative features.

Human resources:

CBC Bangladesh stands out as one of the most preferred employers in the banking industry. It has achieved this by offering excellent opportunities for training and development, introducing top-tier banking education programmes and fostering a healthy corporate environment.

Currently, CBC Bangladesh operates in five key districts across the country: Dhaka, Chittagong, Sylhet, Narayanganj and Gazipur. Despite facing stiff competition from both international and large local banks, CBC Bangladesh has consistently grown its business volumes. This growth is primarily attributed to its focus on serving multinationals and large local corporates with superior services and commitments. By expanding its branch network, CBC Bangladesh has successfully attracted more SME and retail clients, thus enhancing its low-cost deposit base, reducing the cost of funds and improving profitability.

In 2023, CBC Bangladesh upgraded its Internet Banking System with several

innovative features, some of which were introduced for the first time in Bangladesh. These enhancements included the implementation of e-Leave and e-Attendance Systems, a revamp of the Corporate Website and the integration with the National Payment System Bangladesh (NPSB). Additionally, CBC Bangladesh introduced a Call Centre Solution and incorporated various new features to enhance its existing products and services.

In 2023, CBC Bangladesh received numerous awards and recognitions, including:

- Best Foreign Bank in Bangladesh – 2023 for the 4th consecutive year by Global Economic Limited, a UK-based magazine.
- Most Recommended Foreign Bank in Bangladesh – 2023 for the 3rd consecutive year by World Business Outlook, a Singapore-based magazine.
- Most Sustainable Bank in Bangladesh – 2023 for the 3rd consecutive year by International Business Magazine, UAE.
- Best Corporate Bank Bangladesh – 2023 for the 2nd consecutive year by Global Business Review Magazine, UAE.
- Best Foreign Bank in Bangladesh – 2023 by Global Business and Finance Magazine, USA.
- Most Innovative Foreign Banking Brand – Bangladesh – 2023 by Global Brand Magazine, UK.
- Bangladesh International Trade Finance Bank of the Year by Asian Banking & Finance Magazine, Singapore.
- Top Fastest Growing Companies to watch by Biz Tech Outlook, USA.
- Most Innovative Companies Focused on Changing the Future 2023 by The CIO Times Magazine, USA.



A significant highlight of the year was the recognition of Mr Najith Meewanage, Chief Executive Officer of CBC Bangladesh Operations, as one of the Top 10 Best Business Leaders in Bangladesh for 2023 by CEO Insights Magazine, India.

CBC Bangladesh also received a special commendation letter from the Central Bank of Bangladesh for fully disbursing the allocated stimulus package to the SME sector in 2022. Additionally, the Large Tax Payer Unit (LTU) of the National Board of Revenue (NBR), Bangladesh, recognised CBC Bangladesh with an award for being one of the highest taxpayers in the country.

Meanwhile, the Credit Rating Information and Services Ltd. (CRISL) rated CBC Bangladesh operations AAA for the 13th consecutive year based on the financial performance for 2022.

The progress of CBC Bangladesh operations in core banking areas over the past five years is given below:

Key Performances Indicators – Bangladesh Operations (based on management accounts)

Indicator	2023 BDT Bn.	2022 BDT Bn.	2021 BDT Bn.	2020 BDT Bn.	2019 BDT Bn.	5-Year CAGR (%)
Total deposits	96.917	71.243	64.959	50.997	45.363	22.44
Gross advances	64.002	51.56	58.111	55.039	47.450	10.73
Profit before tax	8.792	5.424	3.035	2.898	2.745	29.22
Profit after tax	4.663	2.954	1.744	1.709	1.697	27.07

Key Financial Ratios – Bangladesh Operations (based on management accounts)

Indicator	2023	2022	2021	2020	2019
Cost/Income ratio (%)	13.37	16.47	23.68	24.76	24.74
Net interest margin (%)	5.03	4.05	3.21	4.01	4.27
Profit per employee (BDT Mn.)	24.76	16.95	10.25	9.96	8.65
ROA (%)	6.71	5.61	3.20	3.46	3.53
ROE (%)	23.08	17.95	12.24	13.32	14.82

Subsidiaries and associate of the Group

Given below is a brief overview of the operations of the subsidiaries and the associate of the Bank.

Local subsidiaries

Commercial Development Company PLC (CDC)

Established in 1980 as the Bank's inaugural subsidiary, CDC owns the Head Office building of Commercial Bank, known as "Commercial House," along with two additional properties in Negombo and Tangalle. The Bank owns a 90% stake in CDC.

CDC stands as the sole listed subsidiary of the Group, boasting a market capitalisation of Rs. 1.341 Bn. as of the end of 2023 (2022: Rs. 1.146 Bn.). Its primary operations involve renting premises, hiring of vehicles, outsourcing non-core staff and offering various utility services to the Bank.

In 2023, CDC reported a post-tax profit of Rs. 294.060 Mn., recording an increase of 31.06% from Rs. 224.378 Mn. in 2022. The rise in profits was primarily attributed to increased fair value gains recognised on investment properties. Income from core business activities rose by 8.93% to Rs. 687.510 Mn. (2022: Rs. 631.128 Mn.), while the cost of sales increased by 29.62% to Rs. 420.758 Mn. (2022: Rs. 324.607 Mn.), mainly due to rising operating costs across various business lines. Consequently, the gross profit decreased by 12.97% to Rs. 266.753 Mn. (2022: Rs. 306.521 Mn.). However, the net finance income surged by 91.43% to Rs. 124.343 Mn. in 2023 compared to Rs. 64.956 Mn. in 2022. This led to a 15.12% increase in profit before tax to Rs. 461.971 Mn. in 2023 from Rs. 401.289 Mn. in 2022. The total assets of the Company stood at Rs. 4.326 Bn. as of the end of 2023, compared to Rs. 4.055 Bn. as of the end of 2022.

CBC Tech Solutions Limited

CBC Tech Solutions Limited, a wholly owned subsidiary of the Bank, specialises in providing Information Technology services and solutions to the Bank, its subsidiaries and to a few selected corporates. Its primary lines of business include offering IT support, supplying hardware and licensed software, providing network solutions, hardware and Point of Sale (POS) maintenance, software development and outsourcing professional and skilled manpower to the Bank and its subsidiaries.

Currently, the Company operates from five regional support centers located in Colombo, Galle, Kandy, Jaffna and Badulla, aimed at providing prompt and efficient services.

In 2023, the Company maintained its island-wide personal computer/server maintenance, troubleshooted Point of Sales machines and provided IT first-level technical support for the Bank. Additionally, it introduced Network Solutions as a new business line to enhance profitability. The software development unit completed numerous projects, devised customer-centric products and white-labeled two products to expand market penetration. Furthermore, the Company focused on upskilling its employees and outsourcing them to the Bank's subsidiaries.

CBC Tech Solutions serves as an agent for Lenovo's lineup of personal computers, tablets and accessories, featuring popular series such as IdeaPad, Yoga, Legion and ThinkPad. Notably, the Company was the pioneer in importing Lenovo Think Centre Neo desktop

computers equipped with 12th generation Intel® Core™ processors. In recognition of its achievements, CBC Tech Solutions was honoured with the Best Reseller Award by Lenovo's Sri Lankan distributor, IT Gallery Computers (Pvt) Limited, in 2023.



In 2023, CBC Tech Solutions achieved a notable revenue of Rs. 812.547 Mn., marking a significant growth of 25.50% from Rs. 647.408 Mn. in 2022, largely attributed to increased income from licensed software sales. The Company's pre-tax profit also saw a substantial rise, reaching Rs. 228.546 Mn. compared to Rs. 186.761 Mn. in 2022, representing a growth of 22.37%. Despite a marginal increase in post-tax profit to Rs. 173.573 Mn. from Rs. 171.724 Mn. in 2022, primarily due to a rise in income tax rate to 30% for the year, (principal income sources being exempt from income tax in 2022), CBC Tech Solutions remains committed to becoming a leading provider of innovative ICT solutions in Sri Lanka, prioritising customer-centric products and services to drive technological advancements.

CBC Finance Limited (CBCF)

CBCF operates as a wholly-owned subsidiary of the Bank and functions as a Licensed Finance Company (LFC) under the Finance Business Act No. 42 of 2011. Formerly known as Serendib Finance Ltd, CBCF underwent a rebranding initiative to become CBC Finance Ltd, subsequently launching an assertive image-enhancing campaign. Additionally, the Company bolstered its governance framework and established synergies with its parent company, Commercial Bank of Ceylon PLC.

Despite challenging industry conditions affecting customers of all sizes, CBCF managed to increase its gross income for 2023 to Rs. 1.991 Bn., marking a 21.72% rise from Rs. 1.636 Bn. in 2022. However, the Company faced significant pressure on its cost of funds, resulting in a decrease in net interest income by 7.62% to Rs. 496.478 Mn.

in 2023 from Rs. 537.406 Mn. in 2022. On a positive note, net fee and commission income surged by 184.55% to Rs. 117.393 Mn. from Rs. 41.256 Mn. in 2022, contributing to a total operating income of Rs. 688.283 Mn. for 2023 compared to Rs. 639.900 Mn. in 2022. Despite this, impairment charges and other losses soared to Rs. 481.616 Mn., up by 93.29% from Rs. 249.162 Mn. in 2022, due to prudent provisions made for high-risk segments of the portfolio. As a result, the Company's net operating income decreased from Rs. 390.739 Mn. in 2022 to Rs. 206.667 Mn. in 2023. Total operating expenses also rose to Rs. 527.272 Mn. in 2023 from Rs. 351.847 Mn. in 2022, representing a 49.86% increase. Consequently, CBCF reported a net loss of Rs. 225.178 Mn. for the year, in contrast to the net profit of Rs. 39.583 Mn. reported in 2022.

The aggressive pursuit of deposits persisted amidst intense competition, resulting in the year-end portfolio reaching Rs. 6.534 Bn., up from Rs. 5.116 Bn. reported at the end of 2022.

Despite facing the challenge of expanding portfolios in an unprecedented market environment, the Company's total assets rose to Rs. 12.457 Bn. from Rs. 10.954 Bn. at the end of 2022. Additionally, its net loans and advances portfolio grew to Rs. 10.142 Bn. by the end of 2023, compared to Rs. 8.505 Bn. at the end of 2022.

The Company enhanced its delivery channels by establishing branches in Jaffna and Kalutara, with plans to open an additional five branches in 2024 in key business areas to strengthen its presence. Moreover, it intends to relocate its Kiribathgoda, Dambulla and Negombo branches in 2024 to improve the customer experience.

Commercial Insurance Brokers (Pvt) Ltd (CIBL)

The Bank holds a 60% stake in CIBL, which primarily engages in insurance brokering for various insurance types through reputable life and general insurance companies in Sri Lanka.

In the year ended December 31, 2023, CIBL reported a post-tax profit of Rs. 43.603 Mn., marking a significant growth of 39.09% compared to Rs. 31.349 Mn. in 2022. Additionally, CIBL's total assets increased to Rs. 815.257 Mn. as of December 31, 2023, compared to Rs. 758.701 Mn. in the previous year.

Local associate

Equity Investments Lanka Ltd. (EQUILL)

The Bank holds a 22.92% stake in EQUILL, a venture capital company operating for 33 years. EQUILL primarily invests in equity and equity-featured debt instruments. In 2023, EQUILL reported a net profit of Rs. 15.248 Mn., a notable improvement compared to the net loss of Rs. 6.695 Mn. reported in 2022.

Foreign subsidiaries

Commercial Bank of Maldives Private Limited (CBM)

In collaboration with Tree Top Investments (TTI), CBM was established in the Republic of Maldives as the Bank's second foreign subsidiary. TTI brings essential local market expertise to the partnership, holding a 45% stake, while the Bank holds the majority stake of 55% in CBM. Founded in the latter part of 2016, CBM inaugurated its Head Office and first branch in the capital city, Malé. By the end of 2017, CBM expanded with its second branch in Hulhumale, totaling two branches and managed two Offsite Automated Teller Machines by the close of 2023.

As CBM continues to offer a wide range of financial services, its aim is to emerge as the premier financial institution in the Republic of Maldives, distinguished by its advanced technology, innovation and customer-centric approach. In its third year of operation, CBM received recognition for 'Excellence in Finance' in the Banking and Finance category at the 2019 Maldives Business Awards. Furthermore, CBM solidified its position by being ranked among the top 100 companies in the Maldives at the "Gold 100 Gala" events in both 2021 and 2023, organised by Corporate Maldives. In 2022, CBM was honoured with the Global Business Outlook Banking Award 2021 in the "Fastest Growing Commercial Bank - Maldives 2021" category.



In line with CBM's dedication to community engagement and social responsibility, CBM proudly sponsored the Children's Day celebration in partnership with Rehendi School. The event, held in June 2023, aimed to commemorate Children's Day with a special focus on Rehendi School students and other children in the community. As part of its contribution, CBM provided essential stationary items as gifts, distributed among all participating children. This initiative not only supported the Children's Day celebration but also highlighted CBM's commitment to the overall development of youth in the community.

CBM remained dedicated to its corporate social responsibility efforts through a valuable partnership with Care Society Maldives, which prioritises financial literacy and supports individuals with unique needs. In collaboration with Care Society, known for their work with children with disabilities, CBM organised a financial literacy session for 15 participants. The session focused on age-appropriate financial education, covering topics such as responsible spending, managing money physically and online and recognising scams.

CBM envisions itself "to be the trusted financial service provider for growth, committed to delivering excellence in service quality". Renowned for its technological advancement, innovation and customer-centric approach, CBM aims to be the premier choice for financial services in the Republic of Maldives.

In 2023, CBM achieved significant growth in its deposits and advances, with a 9.52% increase in deposits reaching MVR 2.785 Bn. (2022: MVR 2.542 Bn.) and a 22.23% increase in net loans and advances reaching MVR 0.949 Bn. (2022: MVR 0.776 Bn.). Total assets also saw remarkable growth, up by 10.98% to MVR 3.248 Bn. (2022: 2.927 Bn.) by the end of 2023. CBM reported a post-tax profit of MVR 78.264 Mn. in 2023, marking a 36.15%

increase from the previous year and the highest profit recorded in its 7-year operation period.

CBC Myanmar Microfinance Company (CBC Myanmar)

CBC Myanmar, a fully owned subsidiary of the Bank, commenced operations in July 2018 with the opening of its Head Office and a branch in Lewe Township, Nay Pyi Taw. Initially focused on the Microfinance sector, the Company expanded its operations to Aye Lar, Zabuthiri and Pyinmana townships after securing a permanent business license in 2021. As business conditions improved, CBC Myanmar further expanded its presence to Tatkon township in the last quarter of 2023.

The Myanmar economy was forecasted to grow by 3% in 2023, rebounding from an 18% contraction in 2021 and following a growth of 3% in 2022.

At the beginning of the year, CBC Myanmar had 27.7% of its portfolio classified as Portfolio at Risk (PAR). Through consistent recovery efforts over the course of the year, the Company managed to reduce its PAR to 12.9% by the end of the year, compared to the industry PAR, which remained above 25%.

In November 2022, CBC Myanmar secured a credit facility of MMK 1.5 Bn. through United Amara Bank (UAB) of Myanmar, backed by a Standby Letter of Credit facility of USD 1 Mn. issued by the parent company. This arrangement enabled CBC Myanmar to maintain credit growth, as further capital infusion was not feasible at the time. Subsequently, the Company successfully negotiated a similar facility with UAB, with the loan proceeds earmarked for expanding its loan book.

During 2023, the Company disbursed MMK 7.1 Bn. in new loans, a significant increase from MMK 3.7 Bn. in 2022. This led to a growth in interest income from MMK

463.93 Mn. to MMK 905.53 Mn., representing a remarkable 95.18% increase compared to the previous year. Despite this positive development, the Company reported a loss of MMK 154.38 Mn. for the financial year ended December 31, 2023, an improvement from the loss of MMK 806.11 Mn. recorded in 2022, mainly due to an increase in operating expenses in 2023.

Overall, the Company achieved a substantial increase in interest income driven by improvements in portfolio quality and loan book growth. However, the Company's break-even target was further delayed due to sharp currency depreciation, as a significant portion of its expenses are denominated in USD.

The Company remains optimistic that current conditions will gradually improve, potentially allowing it to enter the profit zone early in 2024. Additionally, the Company has plans to expand into another region with more branches to maintain its growth momentum.

Commex Sri Lanka S.R.L. (Commex)

Commex, a fully-owned subsidiary of the Bank, commenced its operations under the Authorised Payments Institute (API) license issued by the Bank of Italy in 2016. However, due to the economic impact of COVID-19, the Board of Directors of Commex decided to voluntarily liquidate the Company in 2022. The Bank made an announcement regarding this decision to the Colombo Stock Exchange. The process of voluntary liquidation is underway and nearing completion.

Detailed information about the Group's companies and a summary of key financial information for each company is given in the section on "Group Structure" on pages 142 and 143.

Summary of Interim Financial Statements

Income Statement – Group and Bank – 2023 and 2022

	1st Quarter ended March 31		2nd Quarter ended June 30	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Group				
Net interest income	18,975,227	18,823,025	18,474,443	21,889,560
Net fee and commission income	5,402,176	4,087,687	5,188,782	4,789,815
Other operating income (net)	909,546	11,333,380	1,569,631	8,308,652
Less: Impairment and Other Losses	6,797,175	5,960,556	6,413,788	29,258,063
Net operating income	18,489,774	28,283,536	18,819,068	5,729,964
Less: Expenses	11,749,584	11,875,805	11,469,178	8,758,423
Operating profit	6,740,190	16,407,731	7,349,890	(3,028,459)
Add/(less): Share of profit/(loss) of associate, net of tax	1,245	(1,869)	1,107	(1,607)
Profit before income tax	6,741,435	16,405,862	7,350,997	(3,030,066)
Less: Income tax expense	2,382,405	4,631,158	3,419,553	(433,112)
Profit for the period	4,359,030	11,774,704	3,931,444	(2,596,954)
Quarterly profit as a percentage of the profit after tax of the year	19.9	48.3	18.0	(10.6)
Cumulative quarterly profit as a percentage of the profit after tax of the year	19.9	48.3	37.9	37.6
	1st Quarter ended March 31		2nd Quarter ended June 30	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Bank				
Net interest income	18,208,012	18,294,991	17,718,922	21,131,976
Net fee and commission income	5,205,619	3,962,233	5,020,730	4,618,230
Other operating income (net)	949,028	11,355,289	1,539,808	8,308,491
Less: Impairment charges and other losses	6,640,021	5,869,091	6,462,414	29,091,260
Net operating income	17,722,638	27,743,422	17,817,046	4,967,437
Less: Expenses	11,385,750	11,654,722	11,182,815	8,480,267
Profit before income tax	6,336,888	16,088,700	6,634,231	(3,512,830)
Less: Income tax expense	2,245,815	4,541,083	3,211,792	(557,428)
Profit for the period	4,091,073	11,547,617	3,422,439	(2,955,402)
Quarterly profit as a percentage of the profit after tax of the year	20.0	50.3	16.7	(12.9)
Cumulative quarterly profit as a percentage of the profit after tax of the year	20.0	50.3	36.7	37.4

3rd Quarter ended September 30		4th Quarter ended December 31		For the Year ended December 31		
2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	
						Group
23,432,092	22,101,235	25,533,597	21,851,391	86,415,359	84,665,211	Net interest income
5,618,955	5,035,555	6,177,406	6,256,044	22,387,319	20,169,101	Net fee and commission income
6,879,193	7,468,511	3,908,752	4,691,792	13,267,122	31,802,335	Other operating income (net)
12,571,147	17,052,988	13,112,960	19,652,653	38,895,070	71,924,260	Less: Impairment and Other Losses
23,359,093	17,552,313	22,506,795	13,146,574	83,174,730	64,712,387	Net operating income
12,422,111	8,893,074	13,610,351	10,676,320	49,251,224	40,203,622	Less: Expenses
10,936,982	8,659,239	8,896,444	2,470,254	33,923,506	24,508,765	Operating profit
1,546	1,220	(403)	(1,471)	3,495	(3,727)	Add/(less): Share of profit/(loss) of associate, net of tax
10,938,528	8,660,459	8,896,041	2,468,783	33,927,001	24,505,038	Profit before income tax
4,465,397	2,377,804	1,759,986	(6,470,284)	12,027,341	105,566	Less: Income tax expense
6,473,131	6,282,655	7,136,055	8,939,067	21,899,660	24,399,472	Profit for the period
29.6	25.7	32.6	36.6	100.0	100.0	Quarterly profit as a percentage of the profit after tax of the year
67.4	63.4	100.0	100.0	-	-	Cumulative quarterly profit as a percentage of the profit after tax of the year
3rd Quarter ended September 30		4th Quarter ended December 31		For the Year ended December 31		
2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	
						Bank
22,545,916	21,283,570	24,630,715	21,033,493	83,103,565	81,744,030	Net interest income
5,471,251	4,882,230	5,860,594	6,028,575	21,558,194	19,491,268	Net fee and commission income
6,860,424	7,484,902	4,098,472	4,504,448	13,447,732	31,653,130	Other operating income (net)
12,816,947	16,951,155	12,704,357	19,550,116	38,623,739	71,461,622	Less: Impairment charges and other losses
22,060,644	16,699,547	21,885,424	12,016,400	79,485,752	61,426,806	Net operating income
12,122,385	8,626,581	12,914,642	10,066,851	47,605,592	38,828,421	Less: Expenses
9,938,259	8,072,966	8,970,782	1,949,549	31,880,160	22,598,385	Profit before income tax
4,148,494	2,226,823	1,813,097	(6,581,884)	11,419,198	(371,406)	Less: Income tax expense
5,789,765	5,846,143	7,157,685	8,531,433	20,460,962	22,969,791	Profit for the period
28.3	25.5	35.0	37.1	100.0	100.0	Quarterly profit as a percentage of the profit after tax of the year
65.0	62.9	100.0	100.0	-	-	Cumulative quarterly profit as a percentage of the profit after tax of the year

Statement of Financial Position – Group – 2023 and 2022

As at	1st Quarter		2nd Quarter	
	March 31, 2023 Rs. '000	March 31, 2022 Rs. '000	June 30, 2023 (Audited) Rs. '000	June 30, 2022 (Audited) Rs. '000
Assets				
Cash and cash equivalents	147,860,571	139,725,913	112,544,293	107,999,772
Balances with Central Banks	95,653,467	87,849,345	61,871,953	51,501,124
Placements with banks	54,909,247	5,882,556	53,920,816	18,313,838
Securities purchased under re-sale agreements	3,524,478	1,756,293	3,378,561	2,002,143
Derivative financial assets	8,064,310	24,426,913	7,032,972	23,674,635
Financial assets recognised through profit or loss – measured at fair value	28,922,409	25,090,307	50,791,983	54,201,704
Financial assets at amortised cost – Loans and advances to banks	–	–	–	–
Financial assets at amortised cost – Loans and advances to other customers	1,094,383,487	1,158,500,812	1,096,826,774	1,219,947,845
Financial assets at amortised cost – Debt and other financial instruments	765,050,417	451,890,370	740,197,253	770,170,847
Financial assets measured at fair value through other comprehensive income	186,912,374	316,414,558	230,826,265	71,383,043
Investments in subsidiaries	–	–	–	–
Investments in associate	56,778	57,656	57,856	55,628
Property, plant and equipment and right-of-use assets	27,492,933	25,535,145	26,649,043	25,830,332
Investment properties	326,350	72,400	424,550	72,400
Intangible assets	4,137,176	2,505,708	4,042,878	2,653,532
Leasehold property	–	–	–	–
Deferred tax assets	30,366,788	16,467,507	30,251,431	15,604,218
Other assets	44,558,078	30,384,439	43,351,569	40,069,160
Total assets	2,492,218,863	2,286,559,922	2,462,168,197	2,403,480,221
Liabilities				
Due to banks	42,905,385	78,825,477	50,020,369	64,607,923
Derivative financial liabilities	8,121,606	13,445,927	5,309,026	8,640,775
Securities sold under repurchase agreements	96,322,359	168,475,481	133,588,179	214,906,611
Financial liabilities at amortised cost – due to depositors	2,023,418,699	1,706,467,472	1,958,690,813	1,756,807,475
Financial liabilities at amortised cost – other borrowings	10,837,010	32,042,811	11,481,198	30,611,911
Current tax liabilities	23,651,014	13,745,921	23,513,300	17,887,416
Deferred tax liabilities	435,020	348,851	433,316	348,867
Other liabilities	44,064,040	52,266,429	36,253,554	57,394,541
Due to subsidiaries	–	–	–	–
Subordinated liabilities	33,487,710	45,117,068	33,262,957	50,868,395
Total liabilities	2,283,242,843	2,110,735,437	2,252,552,712	2,202,073,914
Equity				
Stated capital	62,891,772	58,149,621	62,891,772	58,149,621
Statutory reserves	12,079,670	10,590,338	12,079,670	10,590,338
Retained earnings	5,440,390	12,625,944	9,216,216	4,689,644
Other reserves	124,736,413	91,496,084	121,617,007	124,232,206
Total equity attributable to equity holders of the Group	205,148,245	172,861,987	205,804,665	197,661,809
Non-controlling interest	3,827,775	2,962,498	3,810,820	3,744,498
Total equity	208,976,020	175,824,485	209,615,485	201,406,307
Total liabilities and equity	2,492,218,863	2,286,559,922	2,462,168,197	2,403,480,221
Contingent liabilities and commitments	629,373,712	859,963,467	605,333,607	723,286,189
Net assets value per ordinary share (Rs.)	156.18	139.43	156.68	159.43
Quarterly growth (%)				
Financial assets at amortised cost – loans and advances to banks & loans and advances to other customers	-5.29%	12.52%	0.22%	5.30%
Financial liabilities at amortised cost – due to depositors	2.31%	15.88%	-3.20%	2.95%
Total assets	-0.29%	15.28%	-1.21%	5.11%

3rd Quarter		4th Quarter		As at	
September 30, 2023 Rs. '000	September 30, 2022 Rs. '000	December 31, 2023 (Audited) Rs. '000	December 31, 2022 (Audited) Rs. '000		
					Assets
114,518,140	117,183,269	159,701,507	151,109,490		Cash and cash equivalents
37,516,912	60,156,210	62,633,503	78,597,120		Balances with Central Banks
66,538,167	57,528,580	81,506,653	96,082,937		Placements with banks
549,770	–	31,148,729	1,517,308		Securities purchased under re-sale agreements
6,091,290	8,336,323	7,226,484	8,345,091		Derivative financial assets
98,042,540	42,638,708	29,449,653	24,873,057		Financial assets recognised through profit or loss/Held for trading – measured at fair value
–	–	–	–		Financial assets at amortised cost – Loans and advances to banks
1,148,276,787	1,159,104,807	1,204,865,597	1,155,492,527		Financial assets at amortised cost – Loans and advances to other customers
706,747,778	744,530,469	685,155,537	761,650,234		Financial assets at amortised cost – Debt and other financial instruments
246,477,855	108,526,607	287,732,972	118,652,257		Financial assets measured at fair value through other comprehensive income
–	–	–	–		Investments in subsidiaries
59,475	57,053	59,004	55,302		Investments in associates
26,538,514	25,881,016	28,997,246	27,446,607		Property, plant and equipment and right-of-use assets
545,850	72,400	597,825	80,350		Investment properties
4,061,409	3,303,890	4,289,404	4,113,200		Intangible assets
–	–	–	–		Leasehold property
32,664,942	18,688,275	34,511,410	30,727,213		Deferred tax assets
36,882,221	44,293,042	37,736,151	40,811,211		Other assets
2,525,511,650	2,390,300,649	2,655,611,675	2,499,553,904		Total assets
					Liabilities
48,268,948	65,021,690	47,948,578	64,971,170		Due to banks
1,560,980	4,350,184	2,319,209	2,880,667		Derivative financial liabilities
117,895,187	129,659,272	111,186,824	97,726,435		Securities sold under repurchase agreements
2,038,498,641	1,853,469,051	2,147,906,858	1,977,743,661		Financial liabilities at amortised cost – due to depositors
13,243,625	20,905,990	12,756,021	16,150,356		Financial liabilities at amortised cost – other borrowings
14,420,344	19,391,280	15,256,244	24,916,074		Current tax liabilities
431,708	349,849	514,207	437,123		Deferred tax liabilities
48,296,812	41,904,727	56,266,302	40,354,877		Other liabilities
–	–	–	–		Due to subsidiaries
24,869,883	50,935,604	36,482,939	61,400,967		Subordinated liabilities
2,307,486,128	2,185,987,647	2,430,637,182	2,286,581,330		Total liabilities
					Equity
62,948,003	58,149,621	62,948,003	58,149,621		Stated capital
12,079,670	10,590,338	13,586,534	12,079,670		Statutory reserves
15,470,462	10,795,707	9,943,003	6,790,304		Retained earnings
123,309,743	120,834,984	133,993,167	131,845,571		Other reserves
213,807,878	200,370,650	220,470,707	208,865,166		Total equity attributable to equity holders of the Group
4,217,644	3,942,352	4,503,786	4,107,408		Non-controlling interest
218,025,522	204,313,002	224,974,493	212,972,574		Total equity
2,525,511,650	2,390,300,649	2,655,611,675	2,499,553,904		Total liabilities and equity
602,365,134	600,709,801	675,776,516	555,531,537		Contingent liabilities and commitments
162.70	161.62	167.77	168.47		Net assets value per ordinary share (Rs.)
					Quarterly growth (%)
4.69%	-4.99%	4.93%	-0.31%		Financial assets at amortised cost – Loans and advances to banks & loans and advances to other customers
4.07%	5.50%	5.37%	6.70%		Financial liabilities at amortised cost – due to depositors
2.57%	-0.55%	5.15%	4.57%		Total assets

Statement of Financial Position – Bank – 2023 and 2022

As at	1st Quarter		2nd Quarter	
	March 31, 2023 Rs. '000	March 31, 2022 Rs. '000	June 30, 2023 (Audited) Rs. '000	June 30, 2022 (Audited) Rs. '000
Assets				
Cash and cash equivalents	146,685,596	138,554,687	110,088,365	106,644,408
Balances with Central Banks	84,945,804	81,086,848	53,719,053	45,197,919
Placements with banks	54,689,175	4,580,100	53,711,794	17,327,567
Securities purchased under re-sale agreements	3,524,478	1,756,293	3,378,561	2,002,143
Derivative financial assets	8,064,310	24,426,913	7,032,972	23,674,635
Financial assets recognised through profit or loss – measured at fair value	28,922,409	25,090,307	50,791,983	54,201,704
Financial assets at amortised cost – Loans and advances to banks	–	–	–	–
Financial assets at amortised cost – Loans and advances to other customers	1,070,780,771	1,139,304,710	1,071,346,946	1,197,683,170
Financial assets at amortised cost – Debt and other financial instruments	724,191,295	424,805,507	705,929,076	730,882,224
Financial assets measured at fair value through other comprehensive income	186,131,686	315,781,767	230,097,911	69,648,186
Investments in subsidiaries	5,808,429	5,808,429	5,808,429	5,808,429
Investments in associate	44,331	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	25,502,884	23,719,230	24,608,919	23,872,579
Investment properties	–	–	–	–
Intangible assets	3,588,752	1,941,213	3,500,095	2,084,157
Leasehold property	–	–	–	–
Deferred tax assets	29,941,540	16,169,713	29,844,651	15,274,931
Other assets	44,325,133	30,285,171	43,100,720	39,964,157
Total assets	2,417,146,593	2,233,355,219	2,393,003,806	2,334,310,540
Liabilities				
Due to banks	43,057,367	78,898,400	49,463,863	64,643,031
Derivative financial liabilities	8,121,606	13,445,927	5,309,026	8,640,775
Securities sold under repurchase agreements	96,467,167	168,582,810	133,599,880	215,162,077
Financial liabilities at amortised cost – due to depositors	1,957,874,217	1,660,680,484	1,900,074,880	1,696,848,972
Financial liabilities at amortised cost – other borrowings	10,837,010	32,042,811	11,481,198	30,611,911
Current tax liabilities	23,261,394	13,482,706	22,992,243	17,505,583
Deferred tax liabilities	–	–	–	–
Other liabilities	43,563,528	52,002,171	35,754,190	57,008,590
Due to subsidiaries	79,101	86,493	76,893	115,191
Subordinated liabilities	33,487,710	45,117,068	33,262,957	50,868,395
Total liabilities	2,216,749,100	2,064,338,870	2,192,015,130	2,141,404,525
Equity				
Stated capital	62,891,772	58,149,621	62,891,772	58,149,621
Statutory reserves	11,352,858	10,204,368	11,352,858	10,204,368
Retained earnings	4,116,877	11,626,483	7,565,019	3,647,706
Other reserves	122,035,986	89,035,877	119,179,027	120,904,320
Total equity attributable to equity holders of the Bank	200,397,493	169,016,349	200,988,676	192,906,015
Non-controlling interest	–	–	–	–
Total equity	200,397,493	169,016,349	200,988,676	192,906,015
Total liabilities and equity	2,417,146,593	2,233,355,219	2,393,003,806	2,334,310,540
Contingent liabilities and commitments	626,574,663	857,057,146	602,121,702	719,729,198
Net assets value per ordinary share (Rs.)	152.57	136.33	153.02	155.60
Quarterly growth (%)				
Financial assets at amortised cost – loans and advances to banks & Loans and advances to other customers	-5.28%	12.29%	0.05%	5.12%
Financial liabilities at amortised cost – due to depositors	2.27%	15.08%	-2.95%	2.18%
Total assets	-0.36%	14.58%	-1.00%	4.52%

3rd Quarter		4th Quarter		As at
September 30, 2023 Rs. '000	September 30, 2022 Rs. '000	December 31, 2023 (Audited) Rs. '000	December 31, 2022 (Audited) Rs. '000	
				Assets
111,976,719	115,987,885	157,819,287	149,393,611	Cash and cash equivalents
27,819,813	50,225,992	52,817,502	66,493,499	Balances with Central Banks
66,337,893	56,536,485	81,344,696	95,899,645	Placements with banks
549,770	–	31,148,729	1,517,308	Securities purchased under re-sale agreements
6,091,290	8,336,323	7,226,484	8,345,091	Derivative financial assets
98,042,540	42,638,708	29,449,653	24,873,057	Financial assets recognised through profit or loss – measured at fair value
–	–	–	–	Financial assets at amortised cost – Loans and advances to banks
1,119,577,738	1,136,121,535	1,176,359,971	1,130,442,579	Financial assets at amortised cost – Loans and advances to other customers
672,664,794	708,272,738	649,740,408	725,935,299	Financial assets at amortised cost – Debt and other financial instruments
245,702,748	106,976,948	287,023,009	117,056,240	Financial assets measured at fair value through other comprehensive income
5,808,429	5,808,429	5,808,429	5,808,429	Investments in subsidiaries
44,331	44,331	44,331	44,331	Investments in associate
24,415,513	23,852,100	26,257,902	25,425,452	Property, plant and equipment and right-of-use assets
–	–	–	–	Investment properties
3,516,989	2,745,081	3,736,504	3,563,120	Intangible assets
–	–	–	–	Leasehold property
32,347,028	18,355,515	34,076,526	30,301,203	Deferred tax assets
36,579,912	44,160,287	37,474,448	40,699,168	Other assets
2,451,475,507	2,320,062,357	2,580,327,879	2,425,798,032	Total assets
				Liabilities
47,554,766	65,126,753	47,274,361	65,130,061	Due to banks
1,560,980	4,350,184	2,319,209	2,880,667	Derivative financial liabilities
117,912,371	129,837,305	111,198,516	97,726,435	Securities sold under repurchase agreements
1,976,214,831	1,792,802,024	2,085,046,149	1,914,359,494	Financial liabilities at amortised cost – due to depositors
13,243,625	20,905,990	12,756,021	16,150,356	Financial liabilities at amortised cost – other borrowings
14,133,449	19,124,762	14,951,984	24,475,319	Current tax liabilities
–	–	–	–	Deferred tax liabilities
47,596,692	41,461,508	55,050,477	39,860,573	Other liabilities
61,483	96,295	317,221	115,484	Due to subsidiaries
24,869,883	50,935,604	36,482,939	61,400,967	Subordinated liabilities
2,243,148,080	2,124,640,425	2,365,396,877	2,222,099,356	Total liabilities
				Equity
62,948,003	58,149,621	62,948,003	58,149,621	Stated capital
11,352,858	10,204,368	12,375,906	11,352,858	Statutory reserves
13,375,628	9,504,182	8,558,385	5,592,121	Retained earnings
120,650,938	117,563,761	131,048,708	128,604,076	Other reserves
208,327,427	195,421,932	214,931,002	203,698,676	Total equity attributable to equity holders of the Bank
–	–	–	–	Non-controlling interest
208,327,427	195,421,932	214,931,002	203,698,676	Total equity
2,451,475,507	2,320,062,357	2,580,327,879	2,425,798,032	Total liabilities and equity
600,102,554	596,546,623	668,875,778	549,421,699	Contingent liabilities and commitments
158.53	157.63	163.55	164.30	Net assets value per ordinary share (Rs.)
				Quarterly growth (%)
4.50%	-5.14%	5.07%	-0.50%	Financial assets at amortised cost – Loans and advances to banks & Loans and advances to other customers
4.01%	5.65%	5.51%	6.78%	Financial liabilities at amortised cost – due to depositors
2.44%	-0.61%	5.26%	4.56%	Total assets

Decade at a glance

BANK		SLFRSs		
As at December 31, Rs. Mn.	CAGR* (%)	2023	2022	2021
Assets				
Cash and cash equivalents		157,819	149,394	68,078
Balances with Central Banks		52,818	66,493	52,898
Placements with banks		81,345	95,900	11,585
Securities purchased under resale agreements		31,149	1,517	3,000
Derivative financial assets		7,226	8,345	3,245
Other financial instruments – Held for trading		–	–	–
Financial assets recognised through profit or loss – Measured at fair value		29,450	24,873	23,436
Loans and receivables to banks	12.77	–	–	–
Financial assets at amortised cost – Loans and advances to banks		–	–	–
Loans and receivables to other customers		–	–	–
Financial assets at amortised cost – Loans and advances to other customers		1,176,360	1,130,443	1,014,619
Financial investments – Held to maturity		–	–	–
Financial investments – Loans and receivables		–	–	–
Financial assets at amortised cost – Debt and other financial instruments		649,740	725,935	369,418
Financial investments – Available for sale		–	–	–
Financial assets measured at fair value through other comprehensive income		287,023	117,056	335,463
Total financial assets		2,472,930	2,319,956	1,881,742
Investments in subsidiaries		5,808	5,808	5,808
Investment in associate		44	44	44
Property, plant & equipment and right-of-use assets		26,258	25,425	23,075
Intangible assets		3,737	3,563	1,725
Leasehold property		–	–	–
Deferred tax assets		34,077	30,301	9,793
Other assets		37,474	40,699	27,024
Total assets	15.59	2,580,328	2,425,798	1,949,213
Liabilities				
Due to banks		47,274	65,130	73,777
Derivative financial liabilities		2,319	2,881	2,092
Securities sold under repurchase agreements		111,199	97,726	151,912
Due to other customers/deposits from customers	16.54	–	–	–
Financial liabilities at amortised cost – Due to depositors		2,085,046	1,914,359	1,443,093
Other borrowings		–	–	–
Financial liabilities at amortised cost – Other borrowings		12,756	16,150	32,587
Current tax liabilities		14,952	24,475	9,294
Deferred tax liabilities		–	–	–
Other provisions		–	–	–
Other liabilities		55,050	39,861	33,211
Due to subsidiaries		317	115	49
Subordinated liabilities		36,483	61,401	38,303
Total liabilities		2,365,397	2,222,099	1,784,319
Equity				
Stated capital		62,948	58,150	54,567
Statutory reserves		12,376	11,353	10,204
Retained earnings		8,558	5,592	9,028
Other reserves		131,049	128,604	91,094
Total liabilities and equity	15.59	2,580,328	2,425,798	1,949,213
Contingent liabilities and commitments		668,876	549,422	682,400

(*) CAGR – Compound Annual Growth Rate

SLFRSs			LKAs			
2020	2019	2018	2017	2016	2015	2014
50,251	52,535	39,534	33,225	30,194	20,044	20,592
110,971	39,461	54,385	44,801	43,873	28,221	19,634
15,939	24,527	19,899	17,633	11,718	17,194	14,508
–	13,148	9,514	–	–	8,002	41,198
2,637	1,831	7,910	2,335	1,053	4,118	460
–	–	–	4,411	4,988	7,656	6,327
35,189	21,468	5,520	–	–	–	–
–	–	–	641	624	601	551
780	758	763	–	–	–	–
–	–	–	737,447	616,018	508,115	405,431
896,845	884,646	861,100	–	–	–	–
–	–	–	63,563	60,981	–	–
–	–	–	48,712	51,824	57,724	50,436
292,728	101,145	83,855	–	–	–	–
–	–	–	154,714	160,023	204,244	214,208
278,461	197,568	176,507	–	–	–	–
1,683,801	1,337,087	1,258,987	1,107,482	981,296	855,919	773,345
5,808	5,011	4,264	3,066	2,435	1,237	1,211
44	44	44	44	44	44	44
23,212	20,507	15,301	14,635	10,308	9,969	9,953
1,233	1,080	906	777	641	466	439
–	–	72	73	74	74	75
2,500	294	–	–	964	–	–
19,620	23,323	23,911	17,297	16,439	12,096	10,543
1,736,218	1,387,346	1,303,485	1,143,374	1,012,201	879,805	795,610
87,451	51,506	50,101	57,121	67,609	30,319	25,261
1,501	1,495	8,022	3,678	1,515	1,891	1,193
91,438	51,220	49,104	49,677	69,867	112,385	124,564
–	–	–	850,128	739,563	624,102	529,361
1,265,966	1,053,308	983,037	–	–	–	–
–	–	–	23,786	9,270	9,986	11,637
54,556	23,249	25,362	–	–	–	–
6,778	4,968	6,566	4,144	3,441	3,002	1,998
–	–	646	3,275	–	231	2,574
–	–	–	–	2	2	2
33,038	30,497	24,208	19,225	17,710	15,547	17,444
97	54	41	75	20	26	19
38,247	37,887	37,992	25,166	24,850	11,973	11,045
1,579,072	1,254,184	1,185,079	1,036,275	933,847	809,464	725,098
52,188	40,917	39,148	37,144	24,978	23,255	21,458
9,024	8,205	7,354	6,477	5,648	4,922	4,327
7,596	5,144	5,063	4,987	4,464	4,389	4,258
88,338	78,896	66,841	58,491	43,264	37,775	40,469
1,736,218	1,387,346	1,303,485	1,143,374	1,012,201	879,805	795,610
728,712	579,999	658,722	564,795	498,305	521,232	352,453

BANK		SLFRSs		
For the year ended December 31, Rs. Mn.	CAGR* (%)	2023	2022	2021
Operating results				
Gross income	16.37	335,770	275,444	160,886
Interest income		292,618	218,327	130,443
Interest expense		(209,515)	(136,583)	(65,832)
Foreign exchange profit		4,908	31,120	10,589
Net commission and other income		30,098	20,024	16,195
Operating expenses, impairment and taxes on financial services		(86,229)	(110,290)	(59,394)
Profit before tax	8.19	31,880	22,598	32,001
Income tax expense		(11,419)	372	(8,395)
Profit for the year	6.96	20,461	22,970	23,606
Ratios				
Return on average shareholders' funds (%)		9.78	12.46	14.66
Income growth (%)		21.90	71.20	7.46
Return on average assets (%)		0.82	1.05	1.28
Ordinary share dividend cover (times)		2.40	4.12	2.64
Advances to deposits and refinance (%)		60.33	63.30	73.54
Property, plant & equipment and intangible assets to shareholders' funds (%)		13.96	14.23	15.04
Total assets to shareholders' funds (times)		12.01	11.91	11.82
Capital funds to liabilities including contingent liabilities (%)		7.08	7.35	6.68
Cost/income ratio (%)		40.31	29.22	37.97
Liquid assets ratio – Consolidated (Sri Lankan Operations) (%)		46.06	35.88	N/A
Liquid assets ratio – Domestic Banking Unit (DBU) (%)		N/A	35.01	38.73
Liquid assets ratio – Offshore Banking Centre (OBC) (%)		N/A	32.37	36.39
(As specified in the Banking Act No. 30 of 1988)				
Capital adequacy (%) (under Basel II) Tier I		N/A	N/A	N/A
Tier I & II		N/A	N/A	N/A
Capital adequacy (%) (under Basel III)				
Common equity Tier I capital ratio		11.44	11.39	11.92
Tier I capital ratio		11.44	11.39	11.92
Total capital ratio		15.15	14.66	15.65
Share information				
Market value of a voting ordinary share (Rs.)		95.50	50.20	79.30
Earnings per share (Rs.)		16	17	19
Dividend per share (Rs.)		6.50	4.50	7.50
Price earnings ratio (times)		6	3	4
Net assets value per share (Rs.)		164	164	138
Earnings yield (%)		16	35	24
Gross dividends (Rs. Bn.) to ordinary shareholders		8.54	5.58	8.96
Dividend payout ratio (%) – Cash		29	–	22
Total dividend payout ratio (%)		42	24	38
Other information				
Number of employees		5,201	5,121	5,072
Number of delivery points – Sri Lanka	1.41	271	269	268
Number of delivery points – Bangladesh		20	20	19
Number of automated teller machines	4.61	948	934	921

(*) CAGR – Compound Annual Growth Rate

SLFRSs			LKAs			
2020	2019	2018	2017	2016	2015	2014
149,711	148,706	138,049	114,357	93,143	77,868	72,753
122,330	127,780	117,466	103,034	80,738	66,030	61,832
(72,759)	(80,571)	(72,524)	(64,011)	(47,915)	(35,685)	(34,610)
8,338	6,726	7,900	588	2,326	2,877	1,481
17,031	12,082	10,845	9,169	8,951	8,059	8,677
(51,429)	(43,678)	(38,096)	(25,597)	(24,049)	(24,138)	(21,644)
23,511	22,339	25,591	23,183	20,051	17,143	15,736
(7,138)	(5,314)	(8,047)	(6,602)	(5,539)	(5,240)	(4,556)
16,373	17,025	17,544	16,581	14,512	11,903	11,180
11.28	13.54	15.56	17.88	19.52	16.90	17.01
0.68	7.72	20.72	24.10	19.62	7.03	0.96
1.05	1.27	1.43	1.54	1.53	1.42	1.60
2.34	2.55	2.67	2.62	2.25	2.09	1.99
72.96	86.74	86.96	86.07	82.69	80.84	75.89
15.56	16.21	13.75	14.46	14.07	14.94	14.85
11.05	10.42	11.01	10.68	12.92	12.51	11.28
6.81	7.26	6.42	6.69	5.47	5.29	6.54
39.96	49.41	46.35	51.08	51.06	48.92	49.26
N/A	N/A	N/A	N/A	N/A	N/A	N/A
44.99	30.42	24.47	27.28	27.19	26.24	33.15
32.70	25.25	30.20	30.95	30.19	49.13	31.43
N/A	N/A	N/A	N/A	11.56	11.60	12.93
N/A	N/A	N/A	N/A	15.89	14.26	15.97
13.22	12.30	11.34	12.11	N/A	N/A	N/A
13.22	12.30	11.34	12.11	N/A	N/A	N/A
16.82	16.15	15.60	15.75	N/A	N/A	N/A
80.90	95.00	115.00	135.80	145.00	140.20	171.00
15	17	17	17	16	13	13
6.50	6.50	6.50	6.50	6.50	6.50	6.50
5	5	7	8	9	10	13
135	130	117	108	88	80	81
19	17	15	13	11	10	8
7.59	6.68	6.57	6.48	5.77	5.70	5.70
32	27	26	26	28	33	35
46	39	37	38	40	48	50
5,057	5,062	5,027	4,982	4,987	4,951	4,852
268	268	266	261	255	246	239
19	19	19	19	19	18	18
906	885	850	775	677	640	625

Group structure

Local Subsidiaries				
	COMMERCIAL DEVELOPMENT COMPANY PLC	CBC TECH SOLUTIONS LTD.	CBC FINANCE LIMITED	COMMERCIAL INSURANCE BROKERS (PVT) LTD.
				
Incorporated on	March 14, 1980 in Sri Lanka	February 17, 2003 in Sri Lanka	February 18, 1987 in Sri Lanka	August 17, 1987 in Sri Lanka
Bank's Holding	 90.00%	 100%	 100%	 60.00%
Principal Business Activities	Property development and provision of other utility services	Providing Information & Communication Technology (ICT) related products, services and solutions to corporate sector	Granting of leasing & hire purchase facilities, mortgage loans and other loan facilities. Accepting public deposits	Insurance Brokering
Business Address	4th Floor, No. 8-4/2, York Arcade Building, Leyden Bastian Road, Colombo 01.	"Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01.	No. 187, Katugastota Road, Kandy.	No. 347, Dr Colvin R De Silva Mawatha, Colombo 02.
Contact Numbers	+94 11 244 7300	+94 11 257 4417	+94 81 220 0272	+94 11 760 0600
Board of Directors				
Chairman	B R L Fernando	Prof A K W Jayawardane	S Muhseen	M P Jayawardena
Managing Director/ Chief Executive Officer	S C U Manatunge	P K A S K Gunawardhana	G A J C S Fernando	T D Thomas
Chief Executive Officer	R N De Silva (*)	K Mediwake (*)		M G N Dharmasiri *
Director	A L Gooneratne	K D N Buddhipala	L H Munasinghe	D M D K Thilakaratne
Director	A T P Edirisinghe	K S A Gamage	M P Dharmasiri	U I S Tillakawardana
Director	L D A Jayasinghe	N Senaratna	D M D S S Bandara	D J D P Hettiarachchi
Director	U I S Tillakawardana		S M S C Jayasuriya	W M N S K Weerapana
Director	Dr R A Attalage			L W P Indrajith
Director				
Director				
Company Secretary	L W P Indrajith	M P Dharmasiri	Ms H D U O Gurnasekara	Ms Y A Kularathna

(*) Not a Board Member

Summary of financial information

	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.
Total assets	4,326.289	4,055.082	882.140	626.869	12,457.318	10,955.136	815.258	758.701
Additions to property, plant and equipment	0.045	108.803	7.162	2.720	117.057	97.399	1.729	14.867
Total liabilities	704.817	637.659	470.910	82.845	9,481.425	7,777.664	198.906	191.540
Net assets	3,621.471	3,417.423	411.230	544.024	2,975.893	3,177.472	616.351	567.161
Total revenue	687.511	631.128	812.547	647.407	1,991.470	1,636.161	172.236	139.075
Profit before tax	461.977	401.289	228.546	186.761	(320.605)	9.726	65.525	43.809
Profit after tax	294.060	224.377	173.573	171.724	(225.178)	39.583	43.800	31.349
Dividend per share (Rs.)	7.00	7.00	600.00	50.00	–	–	25.00	25.00

Investor relations

Dear Stakeholder,

We extend our heartfelt appreciation to our steadfast investors who have chosen to invest in both the equity and the debt of our Bank. Rest assured, we are dedicated to maximising returns on your investments through careful and sustainable growth. It is our responsibility to offer you a comprehensive and balanced perspective of the Bank's performance, including operational results, financial standing and cash flows, enabling you to make informed decisions. As one of Sri Lanka's four Domestic Systemically Important Banks (D-SIBs) and the largest private sector Bank, designated as such by the Central Bank of Sri Lanka, we are confident in our ability to meet your expectations despite the challenges presented by the operating environment, mostly due to or caused by factors that flowed from the previous years. We commit to fulfilling our obligations in the best interests of our investors and believe that the information provided in this Integrated Report and Financial Statements will enhance your understanding of our core strengths, thereby fostering trust and loyalty among our investor community, who share a long-term vision of sustainable value creation.

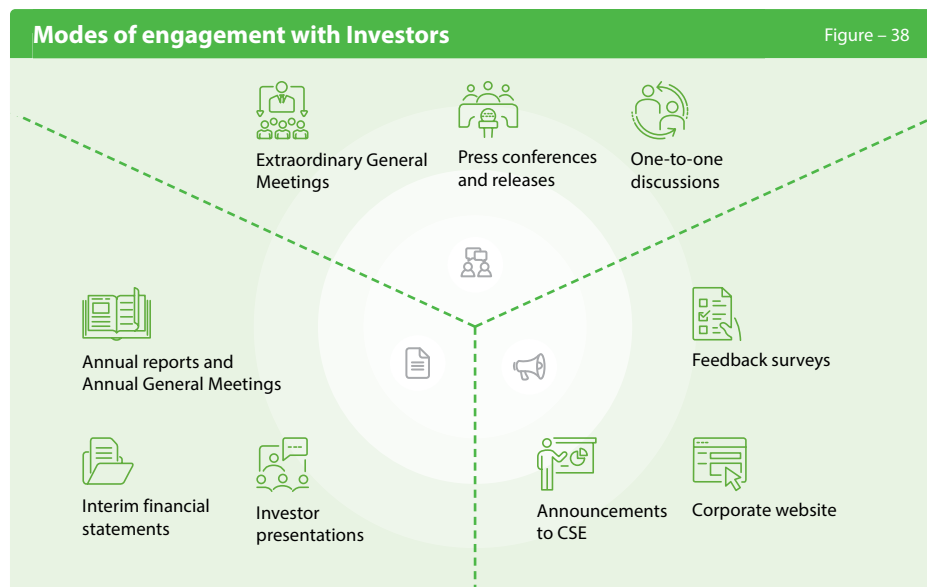
The Bank is committed to nurturing robust and reciprocal communication channels with our esteemed investors, cultivating mutual trust and confidence. We uphold the rights granted to investors by relevant statutes to address material concerns, as elaborated in the "Connecting with Stakeholders" section on pages 38 to 41. These efforts have enabled us to engage proactively with our investors in a consistent, thorough and meaningful manner, often surpassing legal obligations and enhancing our reputation.

The Bank employs a diverse array of methods to engage and interact with its stakeholders. This encompasses the Annual Report, serving as the primary tool for investor communication, along with Annual General Meetings and Extra-Ordinary General Meetings, convened as necessary to provide opportunities for the investor community to connect with the Bank. Consistent with past practices, the Bank has produced an integrated Annual Report this year, presented in a concise format across each section. We deeply value the insightful feedback provided by our shareholders in previous

surveys and comments, which has been carefully considered. To further enhance our reporting, we have included a stakeholder feedback form in this year's Annual Report, inviting your valuable suggestions and opinions. Your feedback is invaluable to us and we are committed to incorporating it into our strategies to create long-term value for all stakeholders. We believe that these interactions will provide investors with valuable insights into the Bank's performance, strategic direction, governance

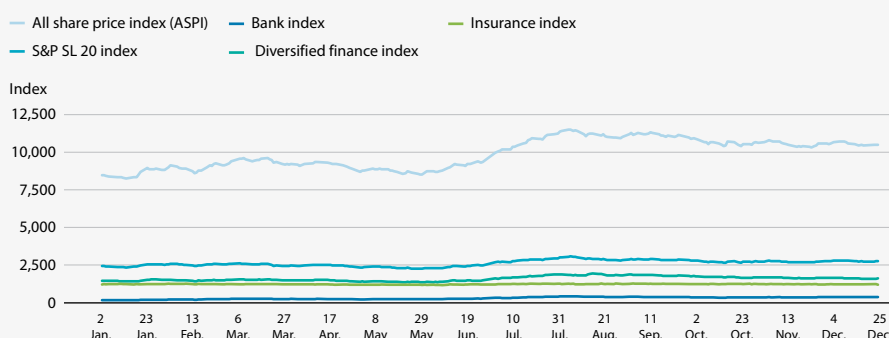
mechanisms, risk management strategies and the Sustainability Framework.

The investor relations section of our website which can be found at <https://www.combank.lk/investors> is another popular channel available for stakeholders, where both a PDF and an interactive version of the Bank's Annual Report have been hosted. The Bank makes sure that its pages are regularly updated along with the rest of the site's content.



We firmly believe that the Bank's efforts to have an effective communication and active engagement with important stakeholder groups have made the Bank's shares a creditable investment proposition, despite multitude of global and local developments detailed in *Our Operating Context and Outlook*.

Graph – 38: Performance of the Colombo Stock Exchange and the Banking Sector in 2023



Performance of the Colombo Stock Exchange (CSE) in 2023

Contrary to the year 2022 which had a notable decline in the performance of the CSE primarily due to effect of COVID-19, followed by the social unrest and the unstable political environment, the year 2023 saw the main index of the CSE, All Share Price Index (ASPI) becoming one of the world's top-performing stock market index. ASPI which stood at 8,490 points by the end of 2022, improved by 2,164 points to 10,654 points by the end of 2023, recording a growth of 25.50%. In the meantime, the S&P SL20 index, following the ASPI, improved to 3,068 points by the end of 2023, from 2,636 points at the end of 2022, recording an improvement of 432 points or 16.42%. Consequently, the market capitalisation which was at Rs. 3.847 Tn. at the end of 2022 too increased to Rs. 4.249 Tn. at the end of 2023, with a notable improvement of 10.44%.

Performance of the Banking Sector and Commercial Bank shares in 2023

In the backdrop of the excellent performance of the ASPI and the S&P SL20 indices during 2023, as shown in the above graph, the banking sector shares displayed a superior performance with the Bank index improving to 797 points at the end of 2023

compared to 386 points at the end 2022, with a commendable growth of 106.64%. It is pertinent to mention that the share prices of both voting and non-voting ordinary shares improved significantly by 90.24% and 94.67% respectively, during the year 2023, with the market prices of ordinary voting shares and ordinary non-voting shares closing Rs. 95.50 and Rs. 80.40 (Rs. 50.20 and Rs. 41.30 at end of 2022) respectively, as shown in the Table 29 on page 149. However, the share price of the Bank's ordinary voting shares traded at a discount to its book value at 0.58 times at the end of 2023 (0.31 times at the end of 2022). Nevertheless, it continued to remain the highest among its peers in the Banking Sector.

As at December 31, 2023, the Bank's public holding (free float) was 99.81% in ordinary voting shares (99.81% in 2022) and 99.88% in ordinary non-voting shares (99.88% in 2022), while its float-adjusted market capitalisation (compliant under option-1 of the Rules on minimum public holding requirement of the CSE) improved to Rs.124.095 Bn. from Rs. 61.476 Bn. in 2022 by 101.86%. As shown in Tables 32 and 33 on page 150, both voting and ordinary non-voting shares of the Bank were actively traded in the CSE where the investors are given a convenient "enter and exit" mechanism with the number of share transactions in the CSE

recorded a notable improvement while the number of shares traded in the CSE by the two categories of shares reflected mixed results. In the meantime, the number of shareholders holding both voting and non-voting shares of the Bank at the end of the year stood at 15,857 and 5,702 respectively, as depicted in Table 35 on page 152 showing the confidence placed by investors in the Bank's shares.

Compliance report on the contents of the Annual Report in terms of the Listing Rules of the CSE

We are pleased to inform you that the Bank has fully complied with all relevant provisions of Section 7.6 of the Listing Rules of the CSE regarding the information to be included in an entity's Annual Report and Financial Statements.

Table 25 given below provides a complete list of disclosure requirements and references to the relevant sections of this Annual Report where the Bank's compliance with the required disclosures are made together with the relevant page numbers.

The pages that follow contain information on the performance of the Bank's listed securities.

Compliance with requirements of the Section 7.6 of the Listing Rules of the CSE

Table – 25

Rule No.	Disclosure requirement	Section/reference	Page/s
7.6 (i)	Names of Directors during the financial year and their profiles.	Governance and Risk Management	160 to 258
7.6 (ii)	Principal activities of the Bank and its subsidiaries during the year and any changes therein.	Note 1.3 to the Financial Statements Group Structure	279 and 280 142 and 143
7.6 (iii)	Names and the number of shares held by the 20 largest holders of voting and non-voting ordinary shares and the percentage of such shares held.	Item 4.2 of the "Investor Relations"	152 and 153
7.6 (iv) (a)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Bank complies with the minimum public holding requirement, in respect of voting ordinary shares. The public holding percentage (%) in respect of non-voting ordinary shares.	Item 4.3 of the "Investor Relations"	153
7.6 (iv) (b)	Public holding percentage (%) and the number of public shareholders of foreign currency denominated shares.	The Bank has not issued any foreign currency denominated shares	
7.6 (v)	Details of each Director's and Chief Executive Officer's holding in each class of shares of the Bank at the beginning and end of the financial year.	Item 4.4 of the "Investor Relations"	154
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Bank.	Item 5 of the "Investor Relations"	155

Rule No.	Disclosure requirement	Section/reference	Page/s
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Bank.	Item 6 of the "Investor Relations"	155
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Bank's land holdings and investment properties.	Note 38.5 (a) and (b) to the Financial Statements	342 to 348
7.6 (ix)	Number of shares representing the Bank's stated capital.	Note 51 to the Financial Statements Item 7 of the "Investor Relations"	370 156 to 158
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as at the end of the year.	Item 4.5 of the "Investor Relations"	154
7.6 (xi)	Ratios and market price information: Equity – Dividend per share, dividend payout ratio, net asset value per share, market value per share – highest, lowest values recorded during the financial year and the market value as at the end of the financial year. Debt – Interest rate of comparable Government Securities, debt/equity ratio, interest cover and quick asset ratio, Debt Service Coverage ratio, market prices and yield during the year – High, low and last traded prices. Any changes in credit rating (for the Bank or any other instrument issued by the Bank).	Financial Highlights Items 2, 3 and 11 of the "Investor Relations" Items 10 and 11 of the "Investor Relations" Item 12 of the "Investor Relations"	16 148 to 151 and 159 158 and 159 159
7.6 (xii)	Significant changes in the Bank's or its subsidiaries' fixed assets including substantial difference between market value and book value of lands.	Note 38.5 (b) to the Financial Statements	343 to 348
7.6 (xiii)	Details of funds raised through Initial Public Offering and/or a further issue of Securities during the year. (a) the manner in which the funds of such issue/s have been utilised in conformity with the format provided by the CSE from time to time; (b) if any shares or debentures have been issued, the number, class of shares or debenture and consideration received and the reason for the issue; and, (c) any material change in the use of funds raised through an issue of Securities. In the event the funds raised through the Initial Public Offering and/or the further issue of Securities (as applicable) have been fully utilised by the Bank as disclosed in the Prospectus and/or Circular to shareholders between two financial periods, the entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first.	Note 51 and 51.1 to the Financial Statements The Bank did not raise funds through a share issue during the year Note 50 to the Financial Statements for the details of debentures issued during the year Item 10 of the "Investor Relations"	370 368 to 370 158
7.6 (xiv)	(a) Information in respect of Employee Share Option Schemes - The number of options granted to each category of employees during the financial year. - Total number of options vested but not exercised by each category of employees during the financial year. - Total number of options exercised by each category of employees and the total number of shares arising therefrom during the financial year. - Options cancelled during the financial year and the reasons for such cancellation. - The exercise price. - A declaration by the Directors of the Bank confirming that the Bank or any of its subsidiaries has not, directly or indirectly, provided funds for the ESOS.	Note 52.1 to the Financial Statements "Employee Share Option Plans" Item 24 of the Statement of Compliance	371 220

Rule No.	Disclosure requirement	Section/reference	Page/s
	(b) Information in respect of Employee Share Purchase Schemes (ESPS). • The total number of shares issued under the ESPS during the financial year. • The number of shares issued to each category of employees during the financial year. • The price at which the shares were issued to the employees. • A declaration by the Directors of the Bank confirming that the Bank or any of its subsidiaries has not, directly or indirectly, provided funds for the ESPS.	Not applicable as the Bank does not have Employee Share Purchase Schemes	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.	Required disclosures are given in Annexure 1.3 "Compliance with Section 9 of the Listing Rules issued by the Colombo Stock Exchange"	439 to 445
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank as per Audited Financial Statements, whichever is lower. Details of investments in a related party and/or amounts due from a related party to be set out separately. The details shall include, as a minimum: - The date of the transaction; - The name of the related party; - The relationship between the Bank and the related party; - The amount of the transaction and terms of the transaction; - The rationale for entering into the transaction.	The Bank did not have any related party transactions exceeding this threshold during the year 2023 and as at end 2023 (Note 62.6 to the Financial Statements) Item 20.3 of the Statement of Compliance	388 218
7.6 (xvii)	Disclosures on foreign currency denominated securities listed on the CSE	The Bank has not issued foreign currency denominated securities	
7.6 (xviii)	Disclosures on the Sustainable Bonds listed on the CSE	The Bank has not issued Sustainable Bonds	
7.6 (xix)	Disclosures on Perpetual Debt Securities listed on the CSE	The Bank has not issued any Perpetual Debt Securities	

1. Listed Securities of the Bank

The Bank's ordinary shares (both voting and non-voting) are listed on the Main Board of the CSE under the ticker symbol "COMB". All debentures issued are also listed on the CSE. (Table 26 on page 148 for a summary of listed securities of the Bank).

The Business section of most daily newspapers, including the Daily News, Daily FT, The Island and Daily Mirror carry a summary of trading activity and the daily prices of shares and debentures traded (if any) using the abbreviation of Commercial Bank or COMB.

Summary of listed securities of the Bank

Table – 26

	NUMBER IN ISSUE AS AT		SECURITY CODE/ID
	December 31, 2023	December 31, 2022	
Equity			
Ordinary shares – Voting	1,236,525,395	1,167,236,442	COMB-N0000
Ordinary shares – Non-voting	77,595,733	72,541,605	COMB-X0000
Debt			
Fixed rate Debentures March 2016/26	17,490,900	17,490,900	COMB-BD-08/03/26-C2342-11.25%
Fixed rate Debentures October 2016/26	19,282,000	19,282,000	COMB-BD-27/10/26-C2359-12.25%
Fixed rate Debentures July 2018/23	–	83,938,400	COMB-BD-22/07/23-C2404-12.00%
Fixed rate Debentures July 2018/28	16,061,600	16,061,600	COMB-BD-22/07/28-C2405-12.50%
Fixed rate Debentures September 2021/26	42,374,700	42,374,700	COMB-BD-20/09/26-C2491-09.00%
Fixed rate Debentures September 2021/28	43,580,000	43,580,000	COMB-BD-20/09/28-C2492-09.50%
Fixed rate Debentures December 2022/27	67,246,800	67,246,800	COMB-BD-11/12/27-C2504-28.00%
Fixed rate Debentures December 2022/29	32,638,200	32,638,200	COMB-BD-11/12/29-C2503-27.00%
Fixed rate Debentures December 2022/32	115,000	115,000	COMB-BD-11/12/32-C2505-22.00%
Fixed rate Debentures December 2023/28	21,324,000	Issued during the year 2023	COMB-BD-19/12/28-C2516-14.50%
Fixed rate Debentures December 2023/28	75,580,900		COMB-BD-19/12/28-C2517-15.00%
Fixed rate Debentures December 2023/30	329,800		COMB-BD-19/12/30-C2519-13.75%
Fixed rate Debentures December 2023/30	8,177,600		COMB-BD-19/12/30-C2521-14.25%
Fixed rate Debentures December 2023/33	308,400		COMB-BD-19/12/33-C2518-13.50%
Fixed rate Debentures December 2023/33	14,279,300		COMB-BD-19/12/33-C2520-14.00%

Equity securities – Features of ordinary shares

Table – 27

Security type	Quoted ordinary shares
Listed exchange	Colombo Stock Exchange (CSE) – Main Board
Featured stock indices	All Share Price Index (ASPI) Standard & Poor's Sri Lanka 20 (S&P SL20)
GICS Industry Group	Banks
CSE stock symbol	Voting – COMB.N0000 Non-Voting – COMB.X0000
International Securities Identification Number (ISIN)	Voting – LK0053N00005 Non-Voting – LK0053X00004

2. Performance of COMB shares and returns to shareholders

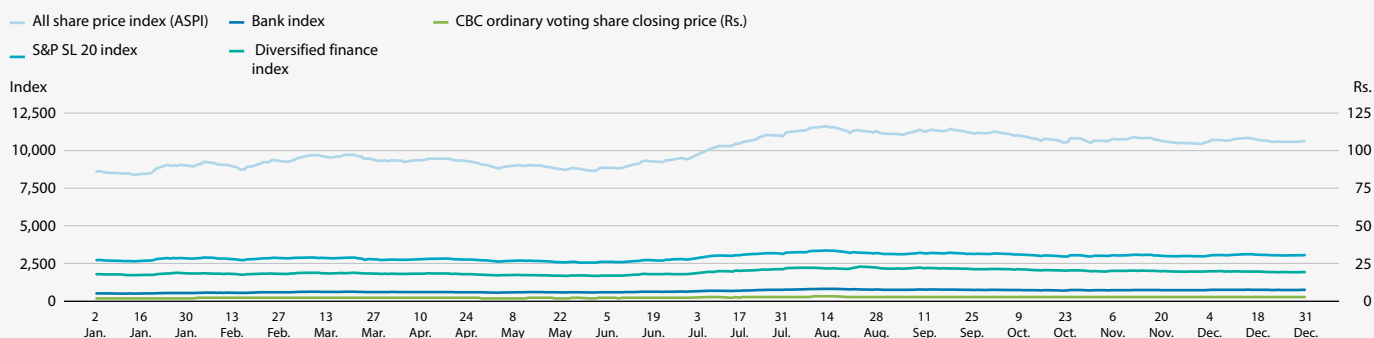
The investor interest in the Bank's shares persisted during the year 2023 compared to 2022 as evidenced by the increased number of share transactions (Table 32 on page 150) and the number of shares traded (Table 33 on page 150) despite a slight drop in the number

of shareholders in both categories of ordinary Voting and Non-Voting shares (Table 35 on page 152).

The market price of an ordinary voting share of the Bank recorded a significant increase of 90.24% (as opposed to drop of 36.70% in 2022) to Rs. 95.50 at the end of 2023 from Rs. 50.20 at the end of 2022

while the market price of an ordinary non-voting share of the Bank too recorded an appreciable improvement of 94.67% (as opposed to drop of 42.64% in 2022) to Rs. 80.40 at the end of 2023 from Rs. 41.30 at the end of 2022 (Table 29 on page 149). During most of 2023, the movement of the prices of non-voting shares followed the trend of the voting shares. The Bank continued with its policy of issuing scrip dividends and Employee Share Option Plans. Market capitalisation in terms of Rupees for both voting and non-voting shares stood at Rs. 124.327 Bn. (USD 383.429 Mn.) at end of 2023 compared to Rs. 61.591 Bn. (USD 167.824 Mn.) at end of 2022 which accounted for 2.93% of the total market capitalisation of the CSE of Rs. 4.249 Tn. as at end of 2023 (1.60% in 2022). The Bank's shares ranked ninth among all listed entities at the CSE as at end of 2023 (twelfth in 2022) and first among the listed corporates in the Banking sector similar to 2022.

Graph – 39: Performance of the ordinary shares – voting – 2023



2.1 Movement of COMB voting share price over the year

Table – 28

Month	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Highest price (Rs.)	61.00	70.00	71.90	64.00	61.60	69.90	94.20	107.50	96.00	90.00	88.90	95.60
Lowest price (Rs.)	50.00	56.40	62.50	56.50	52.10	56.70	75.50	80.00	86.50	80.00	82.50	87.90
Price at the month end (Rs.)	56.20	65.00	63.60	56.70	56.70	68.10	92.90	86.60	90.20	82.20	87.10	95.50

2.2 Share price movement of last five years (As per Rule No. 7.6 (xi) of the Listing Rules of the CSE)

Table – 29

Year	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.
Ordinary shares – Voting					
Highest price during the year	107.50	85.00	105.00	96.00	115.90
Lowest price during the year	50.00	48.70	76.90	50.00	88.60
Last traded price	95.50	50.20	79.30	80.90	95.00
Ordinary shares – Non-voting					
Highest price during the year	89.00	78.50	95.90	87.20	99.40
Lowest price during the year	40.00	39.40	69.60	48.00	74.00
Last traded price	80.40	41.30	72.00	70.10	83.00

Graph – 40: Share price movement – Ordinary Shares – Voting



2.3 Sustainable value for investors

Table – 30

Ordinary shares – Voting			Ordinary shares – Non-voting		
Trade date	2023 Rs.	2022 Rs.	Trade date	2023 Rs.	2022 Rs.
Highest price	August 10, 2023	107.50	August 11, 2023	89.00	
	January 24, 2022		January 24, 2022		78.50
Lowest price	January 02, 2023	50.00	January 19, 2023	40.00	
	November 08, 2022		August 19, 2022		39.40
Year-end price		95.50		80.40	41.30

Graph – 41: Share price movement – Ordinary Shares – Non-Voting



2.4 Information on shareholders' funds and Bank's market capitalisation

Table - 31

As at December 31,	Shareholders' funds	Commercial Bank's market capitalisation (*)	Total market capitalisation of the CSE	Commercial Bank's market capitalisation as a % of CSE market capitalisation %	Commercial Bank's market capitalisation ranking	Commercial Bank's market capitalisation (*)
	Rs. Bn.	Rs. Bn.	Rs. Bn.		Rank	USD Mn.
2023	215	124	4,249	2.93	9	383.429
2022	204	62	3,847	1.60	12	167.824
2021	165	94	5,490	1.72	9	470.963
2020	157	94	2,961	3.16	5	500.902
2019	133	97	2,851	3.40	4	532.699

(*) Market capitalisation includes both voting and non-voting shares.

2.5 Number of share transactions

Table - 32

	2023	2022	2021	2020	2019
Ordinary shares – Voting	42,212	25,271	58,754	85,914	21,481
Ordinary shares – Non-voting	13,897	10,075	18,827	21,407	5,452

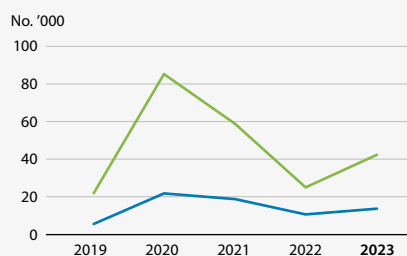
2.6 Number of shares traded ('000)

Table - 33

	2023	2022	2021	2020	2019
Ordinary shares – Voting	94,863	114,432	187,853	385,017	89,289
Ordinary shares – Non-voting	16,052	8,355	15,712	26,614	5,893

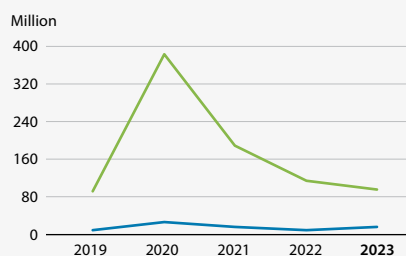
Graph – 42: Number of share transactions

— Ordinary shares Voting
— Ordinary shares Non-voting



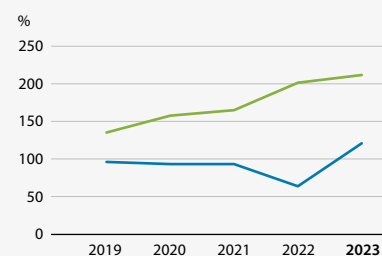
Graph – 43: Number of shares traded

— Ordinary shares Voting
— Ordinary shares Non-voting



Graph – 44: Shareholders' Funds and Bank's Market Capitalisation

— Commercial Bank's Market Capitalisation*
— Shareholders' Funds



* Market capitalisation includes both voting and non-voting shares

3. Dividends

We want to emphasise that the Bank recognises and comprehends the importance of declaring dividends as a means to strike a balance between shareholder expectations and the Bank's business requirements. While the Bank had been distributing interim cash dividends until 2019, there have been no such payments made since then until December 31, 2023. This was in compliance with the requirements of the Banking Act Direction No. 03 of 2020 dated May 13, 2020, the Direction No. 01 of 2021 dated January 19, 2021, the Direction No. 11 of 2021 dated July 13, 2021, the Direction No. 02 of 2022 dated May 06, 2022 and the Direction No. 01 of 2023 dated February 02, 2023, issued by the CBSL on "Restrictions on Discretionary Payments of Licensed Banks", wherein licensed banks were instructed to refrain from declaring cash dividends for financial years ended December 31, 2020, 2021, 2022 and 2023, respectively, in view of the possible adverse impact on liquidity and other key performance indicators of banks. However, as per the Banking Act Direction No. 01 of 2021, the Direction No. 11 of 2021 and the Direction No. 02 of 2022, Direction No. 01 of 2023 issued by the CBSL on the same subject, licensed banks incorporated or established in Sri Lanka were instructed to defer payment of cash dividends until the financial statements for the year ended December 31, 2020, 2021, 2022 and 2023, respectively, are finalised and audited by the External Auditors.

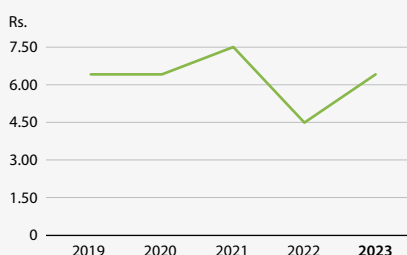
Accordingly, the Board of Directors of the Bank after giving due consideration to the requirements stipulated in the Banking Act Directions No. 01 of 2023, has now recommended a final dividend of Rs. 6.50 per share for both ordinary voting and non-voting shares of the Bank. This will be paid in the form of a cash dividend of Rs. 4.50 per share and a scrip dividend of Rs. 2.00 per share for both voting and non-voting shareholders of the Bank for the year ended December 31, 2023. This proposed first and final dividend for the year 2023 will be submitted for the approval of the shareholders at the 55th AGM, to be held on March 28, 2024. (A dividend of Rs. 4.50 per share was declared and paid by the Bank for the year ended December 31, 2022, in the form of issue and allotment of new shares for both voting and non-voting).

3.1 Dividend information (As per Rule No. 7.6 (xi) of the Listing Rules of the CSE)

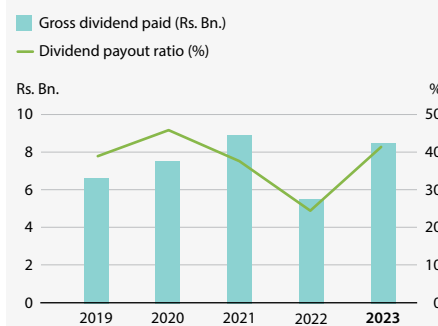
Table - 34

Dividends	2023	2022	2021	2020	2019
Cash – Rs. per share					
First interim paid	–	–	–	–	1.50
Second interim paid	–	–	–	–	3.00
Final proposed/paid	4.50	–	4.50	4.50	–
Total	4.50	–	4.50	4.50	4.50
Scrip – Rs. per share					
Final proposed/allotted	2.00	4.50	3.00	2.00	2.00
Total	6.50	4.50	7.50	6.50	6.50
Gross dividend proposed/paid (Rs. Bn.)					
Cash	5.91	–	5.37	5.25	4.62
Scrip	2.63	5.58	3.58	2.34	2.06
Total	8.54	5.58	8.95	7.59	6.68
Dividend payout ratio (%)					
Cash	28.90	–	22.77	32.07	27.16
Cash and shares	41.75	24.29	37.94	46.33	39.23

Graph – 45: Dividend per share



Graph – 46: Dividend paid and dividend payout ratio



4. Shareholders

The Bank had 15,857 ordinary voting shareholders and 5,702 ordinary non-voting shareholders as at December 31, 2023, compared to 17,022 and 5,989 voting and non-voting shareholders as at December 31, 2022 (Table 35 on page 152). With one new investor joining ranks, the percentage of ordinary voting shares held by the 20 largest shareholders as at end 2023 marginally increased to 77.09% from 76.85% as at end 2022. Similarly, with four new investors joining ranks, an increase was witnessed in the non-voting ordinary shares held by the 20 largest shareholders to 36.48% as at end 2023 from 33.90% as at end 2022.

4.1 Number of ordinary shareholders

Table – 35

As at December 31,	2023 Rs.	2022 Rs.
Ordinary shareholders – Voting	15,857	17,022
Ordinary shareholders – Non-voting	5,702	5,989
Total	21,559	23,011

4.2 The names, number of shares and percentages of shares held by the twenty largest shareholders (As per rule No. 7.6 (iii) of the Listing Rules of the CSE)

Voting shareholders

Table – 36

As at December 31,	2023		2022 (*)	
Ordinary shares – Voting	Number of shares	%	Number of shares	%
1. DFCC Bank PLC A/C 1	149,777,568	12.11	141,453,570	12.12
2. Mr Y S H I Silva	122,327,008	9.89	115,528,595	9.90
3. Employees Provident Fund	106,485,764	8.61	100,567,740	8.62
4. Mr D P Pieris	95,321,291	7.71	90,005,231	7.71
5. CB NY S/A International Finance Corporation	87,919,750	7.11	83,033,546	7.11
6. Sri Lanka Insurance Corporation Ltd. – Life Fund	62,371,928	5.04	58,905,563	5.05
7. Melstacorp PLC	51,131,771	4.14	48,290,086	4.14
8. Mr K D D Perera	45,418,533	3.67	42,894,365	3.67
9. CB NY S/A IFC Emerging Asia Fund. LP	45,325,490	3.67	42,806,493	3.67
9. CB NY S/A IFC Financial Institutions Growth Fund LP	45,325,490	3.67	42,806,493	3.67
11. Sri Lanka Insurance Corporation Ltd. – General Fund	43,737,539	3.54	41,306,794	3.54
12. Employees Trust Fund Board	20,004,314	1.62	20,330,734	1.74
13. Renuka Hotels PLC	15,939,738	1.29	15,053,876	1.29
14. Cargo Boat Development Company PLC	11,186,898	0.90	10,565,178	0.91
15. Mr M J Fernando (Deceased)	11,109,917	0.90	10,492,476	0.90
16. Hallsville Frontier Equities Ltd.	10,876,310	0.88	10,271,852	0.88
17. Renuka Consultants & Services Limited	9,821,527	0.79	9,275,689	0.79
18. Mr A H Munasinghe	7,123,095	0.58	7,660,822	0.66
19. SSBT – Global Macro Capital Opportunities Portfolio	6,071,633	0.49	–	–
20. Seylan Bank PLC/Andaradeniya Estate (Pvt) Ltd.	5,882,457	0.48	5,555,536	0.48
Subtotal	953,158,021	77.09	896,804,639	76.85
Other shareholders	283,367,374	22.91	270,431,803	23.15
Total	1,236,525,395	100.00	1,167,236,442	100.00

(*) Comparative shareholdings as at December 31, 2022 of the twenty largest voting shareholders as at December 31, 2023.

Non-voting shareholders

Table – 37

As at December 31,	2023		2022 (*)	
Ordinary shares – Non-voting	Number of shares	%	Number of shares	%
1. Employees Trust Fund Board	6,036,439	7.78	5,643,261	7.78
2. Akbar Brothers (Pvt) Ltd. A/C No. 1	3,764,303	4.85	3,542,491	4.88
3. GF Capital Global Limited	1,906,146	2.46	1,875,479	2.59
4. Mr M F Hashim	1,398,829	1.80	1,304,361	1.80
5. M J F Exports (Pvt) Ltd.	1,327,409	1.71	1,240,950	1.71
6. Mrs L V C Samarasingha	1,224,239	1.58	1,144,500	1.58
7. EMFI Capital Limited	1,197,019	1.54	156,024	0.22
8. Mr T W A Wickramasinghe, Mrs N Wickramasinghe (Joint)	1,180,375	1.52	985,150	1.36
9. Janashakthi Insurance PLC – Shareholders	1,151,537	1.48	1,076,533	1.48
10. Saboor Chatoor (Pvt) Ltd.	1,110,307	1.43	1,037,989	1.43
11. Assetline Finance Limited/Suhada Gas Distributors (Pvt) Ltd.	922,371	1.19	–	–
12. Mr E Chatoor	918,991	1.18	859,134	1.18
13. Mr R Gautam	848,054	1.09	786,344	1.08
14. Mr K S M De Silva	814,467	1.05	758,418	1.05
15. Mr A L Gooneratne, Mrs C Gooneratne (Joint)	799,839	1.03	747,743	1.03
16. Mr J D Bandaranayake, Ms N Bandaranayake and Dr V Bandaranayake (Joint)	784,297	1.01	772,196	1.06
17. Mr J D Bandaranayake, Dr V Bandaranayake and Ms I Bandaranayake (Joint)	764,347	0.99	749,713	1.03
18. Mr M J Fernando (Deceased)	762,425	0.98	712,766	0.98
19. Serendip Investments Limited	707,500	0.91	661,418	0.91
20. Swastika Mills Ltd.	694,940	0.90	542,173	0.75
Subtotal	28,313,834	36.48	24,596,643	33.90
Other shareholders	49,281,899	63.52	47,944,962	66.10
Total	77,595,733	100.00	72,541,605	100.00

(*) Comparative shareholdings as at December 31, 2022 of the twenty largest non-voting shareholders as at December 31, 2023.

4.3 Public shareholding [As per rule No. 7.6 (iv) and 7.13.1 of the Listing Rules of the CSE]

Table – 38

As at December 31,	2023		2022	
	Number	%	Number	%
Number of shareholders representing the public holding (Voting)	15,820	99.81	16,989	99.81
Number of shareholders representing the public holding (Non-voting)	5,698	99.88	5,985	99.88
Float adjusted market capitalisation Rs. Bn. (Compliant under Option 1)	124		61	

4.4 Directors' shareholding including the Chief Executive Officer's shareholding (As per Rule No. 7.6 (v) of the Listing Rules of the CSE)

Table – 39

As at December 31,	Ordinary shares voting		Ordinary shares non-voting	
	2023	2022	2023	2022
Prof A K W Jayawardane – Chairman	14,379	13,580	Nil	Nil
Mr Sharhan Muhseen – Deputy Chairman	2,750	2,598	Nil	Nil
Mr S C U Manatunge – Managing Director/Chief Executive Officer	118,599	75,815	Nil	Nil
Mr S Prabagar – Chief Operating Officer	251,136	165,703	26,290	24,578
Mr K Dharmasiri (*)	Nil	Nil	Nil	Nil
Mr L D Niyangoda	Nil	Nil	Nil	Nil
Ms N T M S Cooray	384,987	363,592	60,360	56,429
Ms J Lee	Nil	Nil	Nil	Nil
Mr R Senanayake	Nil	Nil	Nil	Nil
Ms D L T S Wijewardena	Nil	Nil	Nil	Nil
Dr Sivakumar Selliah	28,759	27,161	Nil	Nil
Mr D N L Fernando (**)	Nil	Nil	Nil	Nil
Mr P M Kumarasinghe (***)	Nil	Nil	Nil	Nil

(*) Retired w.e.f. January 8, 2023

(**) Appointed as a Director w.e.f. February 7, 2023

(***) Appointed as a Director w.e.f. April 12, 2023

4.5 Distribution schedule of number of holders and percentage of holding in each class of equity securities (As per rule No. 7.6 (x) of the Listing Rules of the CSE)

Table – 40

	As at December 31, 2023				As at December 31, 2022			
	Number of shareholders	Percentage %	Number of shares	Percentage %	Number of shareholders	Percentage %	Number of shares	Percentage %
Ordinary shares – Voting								
1 – 1,000	9,060	57.14	1,994,558	0.16	9,449	55.51	2,195,132	0.19
1,001 – 10,000	4,467	28.17	15,856,461	1.28	5,164	30.34	17,649,929	1.51
10,001 – 100,000	1,916	12.08	56,004,738	4.53	2,024	11.89	56,831,179	4.87
100,001 – 1,000,000	348	2.19	96,225,753	7.78	322	1.89	83,764,568	7.18
Over 1,000,000	66	0.42	1,066,443,885	86.25	63	0.37	1,006,795,634	86.25
Total	15,857	100.00	1,236,525,395	100.00	17,022	100.00	1,167,236,442	100.00
Ordinary shares – Non-voting								
1 – 1,000	3,215	56.38	742,221	0.96	3,272	54.63	774,139	1.07
1,001 – 10,000	1,722	30.20	6,055,133	7.80	1,936	32.33	6,551,991	9.03
10,001 – 100,000	642	11.26	18,189,009	23.44	669	11.17	18,351,415	25.30
100,001 – 1,000,000	113	1.98	32,312,767	41.64	103	1.72	28,236,318	38.92
Over 1,000,000	10	0.18	20,296,603	26.16	9	0.15	18,627,742	25.68
Total	5,702	100.00	77,595,733	100.00	5,989	100.00	72,541,605	100.00

4.6 Composition of shareholders based on residency and category

Table – 41

	As at December 31, 2023				As at December 31, 2022			
	Number of shareholders	Percentage %	Number of shares	Percentage %	Number of shareholders	Percentage %	Number of shares	Percentage %
Ordinary shares – Voting								
Resident	15,607	98.42	1,013,925,355	82.00	16,774	98.54	965,754,985	82.74
Non-resident	250	1.58	222,600,040	18.00	248	1.46	201,481,457	17.26
Total	15,857	100.00	1,236,525,395	100.00	17,022	100.00	1,167,236,442	100.00
Individuals	15,197	95.84	441,206,246	35.68	16,369	96.16	427,935,318	36.66
Institutions	660	4.16	795,319,149	64.32	653	3.84	739,301,124	63.34
Total	15,857	100.00	1,236,525,395	100.00	17,022	100.00	1,167,236,442	100.00
Ordinary shares – Non-voting								
Resident	5,629	98.72	71,721,622	92.43	5,915	98.76	68,026,397	93.78
Non-resident	73	1.28	5,874,111	7.57	74	1.24	4,515,208	6.22
Total	5,702	100.00	77,595,733	100.00	5,989	100.00	72,541,605	100.00
Individuals	5,464	95.83	48,889,575	63.01	5,752	96.04	47,993,209	66.16
Institutions	238	4.17	28,706,158	36.99	237	3.96	24,548,396	33.84
Total	5,702	100.00	77,595,733	100.00	5,989	100.00	72,541,605	100.00

5. Material foreseeable risk factors (As per Rule No. 7.6 (vi) of the Listing Rules of the CSE)

Information pertaining to the material foreseeable risk factors, that require disclosures as per the Rule No. 7.6 (vi) of the Listing Rules of the CSE is discussed in the Section on “Risk Governance and Management” on pages 232 to 258.

6. Material issues pertaining to employees and industrial relations pertaining to the Bank (As per Rule No. 7.6 (vii) of the Listing Rules of the CSE)

During the year under review, there were no material issues relating to employees and industrial relations pertaining to the Bank, which warrant disclosure.

7. Information on movement in number of shares represented by the stated capital
(As per rule No. 7.6 (ix) of the Listing Rules of the CSE)

Table – 42

Year	Description	Type of share	Basis	Number of shares issued/(redeemed)	Number of shares		
					Ordinary shares – voting	Ordinary shares non-voting	Cumulative redeemable preference shares
1987	As at December 31, 1987			–	3,000,000	–	–
1988	Bonus Issue	Voting	2 for 3	2,000,000	5,000,000	–	–
1990	Bonus Issue	Voting	1 for 1	5,000,000	10,000,000	–	–
1993	Rights Issue	Voting	1 for 4	2,500,000	12,500,000	–	–
1996	Bonus Issue	Voting	3 for 5	7,500,000	20,000,000	–	–
	Rights Issue	Voting	1 for 4	5,000,000	25,000,000	–	–
	Share Swap	Non-voting		894,275	25,000,000	894,275	–
	Bonus Issue	Non-voting	3 for 5	536,565	25,000,000	1,430,840	–
	Rights Issue	Non-voting	1 for 4	357,710	25,000,000	1,788,550	–
1998	Bonus Issue	Voting	3 for 10	7,500,000	32,500,000	1,788,550	–
	Bonus Issue	Non-voting	3 for 10	536,565	32,500,000	2,325,115	–
2001	Bonus Issue	Voting	1 for 5	6,500,000	39,000,000	2,325,115	–
	Bonus Issue	Non-voting	1 for 5	465,023	39,000,000	2,790,138	–
	Issue of cumulative redeemable preference shares			90,655,500	39,000,000	2,790,138	90,655,500
2003	Bonus Issue	Voting	1 for 3	13,000,000	52,000,000	2,790,138	90,655,500
	Rights Issue	Voting	1 for 4	13,000,000	65,000,000	2,790,138	90,655,500
	Bonus Issue	Non-voting	1 for 3	930,046	65,000,000	3,720,184	90,655,500
	Rights Issue	Non-voting	1 for 4	930,046	65,000,000	4,650,230	90,655,500
	Issue of cumulative redeemable preference shares			100,000,000	65,000,000	4,650,230	190,655,500
2004	ESOP	Voting		29,769	65,029,769	4,650,230	190,655,500
2005	ESOP	Voting		1,361,591	66,391,360	4,650,230	190,655,500
	Bonus Issue	Voting	1 for 1	66,389,162	132,780,522	4,650,230	190,655,500
	Bonus Issue	Non-voting	1 for 1	4,650,230	132,780,522	9,300,460	190,655,500
2006	ESOP	Voting		737,742	133,518,264	9,300,460	190,655,500
	Redemption of cumulative redeemable preference shares			(90,655,500)	133,518,264	9,300,460	100,000,000
2007	Rights Issue	Voting	3 for 10	40,288,996	173,807,260	9,300,460	100,000,000
	Bonus Issue	Voting	1 for 3	58,204,268	232,011,528	9,300,460	100,000,000
	ESOP	Voting		919,649	232,931,177	9,300,460	100,000,000
	Rights Issue	Non-voting	3 for 10	2,790,138	232,931,177	12,090,598	100,000,000
	Bonus Issue	Non-voting	1 for 3	4,030,199	232,931,177	16,120,797	100,000,000
2008	Redemption of cumulative redeemable preference shares			(100,000,000)	232,931,177	16,120,797	–
	ESOP	Voting		350,049	233,281,226	16,120,797	–
2009	ESOP	Voting		540,045	233,821,271	16,120,797	–
2010	Share Split	Voting	1 for 2	117,402,608	351,223,879	16,120,797	–
	Share Split	Non-voting	1 for 2	8,060,398	351,223,879	24,181,195	–
	ESOP	Voting		2,081,508	353,305,387	24,181,195	–

Year	Description	Type of share	Basis	Number of shares issued/(redeemed)	Number of shares		
					Ordinary shares – voting	Ordinary shares non-voting	Cumulative redeemable preference shares
2011	Scrip issue for final dividend 2010	Voting	Rs. 2.00 per share	2,277,195	355,582,582	24,181,195	–
	Scrip issue for final dividend 2010	Non-voting		255,734	355,582,582	24,436,929	–
	ESOP	Voting		1,457,645	357,040,227	24,436,929	–
	Rights Issue	Voting	1 for 14	25,502,433	382,542,660	24,436,929	–
	Rights Issue	Non-voting	1 for 14	1,745,494	382,542,660	26,182,423	–
	Share Split	Voting	1 for 1	382,542,660	765,085,320	26,182,423	–
	Share Split	Non-voting	1 for 1	26,182,423	765,085,320	52,364,846	–
2012	Scrip issue for final dividend 2011	Voting	Rs. 2.00 per share	13,587,144	778,672,464	52,364,846	–
	Scrip issue for final dividend 2011	Non-voting		1,108,902	778,672,464	53,473,748	–
	ESOP	Voting		1,341,768	780,014,232	53,473,748	–
2013	Scrip issue for final dividend 2012	Voting	Rs. 2.00 per share	13,076,189	793,090,421	53,473,748	–
	Scrip issue for final dividend 2012	Non-voting		1,069,474	793,090,421	54,543,222	–
	ESOP	Voting		1,445,398	794,535,819	54,543,222	–
2014	Scrip issue for final dividend 2013	Voting	Rs. 2.00 per share	12,504,344	807,040,163	54,543,222	–
	Scrip issue for final dividend 2013	Non-voting		1,036,724	807,040,163	55,579,946	–
	ESOP	Voting		3,237,566	810,277,729	55,579,946	–
2015	Scrip issue for final dividend 2014	Voting	Rs. 2.00 per share	8,118,773	818,396,502	55,579,946	–
	Scrip issue for final dividend 2014	Non-voting		719,740	818,396,502	56,299,686	–
	ESOP	Voting		2,170,613	820,567,115	56,299,686	–
2016	Scrip issue for final dividend 2015	Voting	Rs. 2.00 per share	11,818,040	832,385,155	56,299,686	–
	Scrip issue for final dividend 2015	Non-voting		912,967	832,385,155	57,212,653	–
	ESOP	Voting		1,136,732	833,521,887	57,212,653	–
2017	Scrip issue for final dividend 2016	Voting	Rs. 2.00 per share	10,521,802	844,043,689	57,212,653	–
	Scrip issue for final dividend 2016	Non-voting		903,357	844,043,689	58,116,010	–
	Rights Issue	Voting	1 for 10	84,649,465	928,693,154	58,116,010	–
	Rights Issue	Non-voting	1 for 10	5,811,601	928,693,154	63,927,611	–
	ESOP	Voting		3,278,537	931,971,691	63,927,611	–
2018	Scrip issue for final dividend 2017	Voting	Rs. 2.00 per share	11,998,388	943,970,079	63,927,611	–
	Scrip issue for final dividend 2017	Non-voting		1,085,563	943,970,079	65,013,174	–
	ESOP	Voting		1,739,324	945,709,403	65,013,174	–
2019	Scrip issue for final dividend 2018	Voting	Rs. 2.00 per share	15,249,529	960,958,932	65,013,174	–
	Scrip issue for final dividend 2018	Non-voting		1,241,095	960,958,932	66,254,269	–
	ESOP	Voting		293,385.00	961,252,317	66,254,269	–
2020	Scrip issue for final dividend 2019	Voting	Rs. 2.00 per share	22,485,434	983,737,751	66,254,269	–
	Scrip issue for final dividend 2019	Non-voting		1,716,432	983,737,751	67,970,701	–
	Issue of shares via a private placement	Voting		115,197,186	1,098,934,937	67,970,701	–

Year	Description	Type of share	Basis	Number of shares issued/(redeemed)	Number of shares		
					Ordinary shares – voting	Ordinary shares non-voting	Cumulative redeemable preference shares
2021	Scrip issue for final dividend 2020	Voting	} Rs. 2.00 per share	25,071,337	1,124,006,274	67,970,701	–
	Scrip issue for final dividend 2020	Non-voting		1,770,070	1,124,006,274	69,740,771	–
	ESOP	Voting		474,254	1,124,480,528	69,740,771	–
2022	Scrip issue for final dividend 2021	Voting	} Rs. 3.00 per share	42,755,914	1,167,236,442	69,740,771	–
	Scrip issue for final dividend 2021	Non-voting		2,800,834	1,167,236,442	72,541,605	–
2023	Scrip issue for final dividend 2022	Voting	} Rs. 4.50 per share	68,687,375	1,235,923,817	72,541,605	–
	Scrip issue for final dividend 2022	Non-voting		5,054,128	1,235,923,817	77,595,733	–
	ESOP	Voting		601,578	1,236,525,395	77,595,733	–

8. Engaging with shareholders

The Bank has in place a comprehensive Shareholder Communication Policy, which outlines the various formal channels through which it engages with shareholders. It covers the timely communication of quarterly performance of the Group and the Bank as set out on pages 132 to 137 in “Summary of Interim Financial Statements – Group and Bank”. It also records significant events that may reasonably be expected to impact the share price. (More details are given in Financial Calendar on page 261).

Shareholders are kindly requested to provide their valuable feedback on the content of this Annual Report using the “Stakeholder Feedback Form” given at the end of this Annual Report for continuous improvements in the presentation and disclosures made in the Annual Report.

9. Quarterly performance in 2023 compared to 2022 (As per Rule No. 7.5 (a) (i) of the Listing Rules of the CSE)

We wish to inform the shareholders that the Bank duly submitted the Interim Financial Statements for the year 2023 to the CSE within applicable statutory deadlines (The Bank duly complied with this requirement for 2022 as well). Please refer “Financial Calendar” on page 261 for details of the requirements and how the Bank complied with same. Further, a summary of the Income Statement and the Statement of Financial Position depicting quarterly performance during 2023 together with comparatives for 2022 is given in Summary of Interim Financial Statements – Group and Bank on pages 132 to 137 for the information of stakeholders.

The Annual Report comprising of Audited Financial Statements for the year ended December 31, 2023 will be submitted to the CSE within three months from the year end, which is well within the required deadline as required by Rule No. 7.5 (a) of the Listing Rules of the CSE. (The Bank duly complied with this requirement for 2022).

This Annual Report in its entirety is available on the Bank’s website both as a PDF file and as well as an interactive version (<http://www.combank.lk/investors>).

Shareholders may also elect to receive a hard copy of the Annual Report on request. The Company Secretary of the Bank will respond to individual letters received from shareholders based on the requests made through the specimen request letter included in the booklet sent to shareholders.

10. Debt securities

Details of debentures issued and redeemed by the Bank during the year as well as the balances outstanding and other relevant information is as shown in the Note 50 to the Financial Statements on Subordinated Liabilities on pages 368 to 370.

10.1 Debenture composition (As per Rule No. 7.6 (xi) of the Listing Rules of the CSE)

Please refer to Note 50 to the Financial Statements on Subordinated Liabilities on pages 368 to 370 for full details.

Please refer “Financial Highlights” and “Core Financial Soundness Indicators” on pages 16 and 125 for a comprehensive list of financial indicators.

11. Key shareholder return indicators (As per Rule No. 7.6 (xi) of the Listing Rules of the CSE)

Table – 43

Year	2023 Rs.	2022 Rs.
Key financial indicators		
Interest margin (%)	3.32	3.74
Return on assets (before tax) (%)	1.27	1.03
Return on equity (%)	9.78	12.46
Net asset value per share (Rs.)	163.55	164.30
Regulatory liquidity		
Liquid assets ratio (%) (Minimum requirement 20%)		
Consolidated (Sri Lankan operations)	46.06	35.88
Liquidity coverage ratio – LCR (%) (Current minimum requirement 100%)		
Rupee	491.61	405.91
All currencies	516.27	293.91
Net stable funding ratio – NSFR (%) (Current minimum requirement 100%)	193.70	173.58
Debt service related ratios		
Debt equity ratio (%)	16.97	34.02
Interest cover (Times)	8.84	7.31
Debt service coverage ratio (%)	127.11	56.84

12. Credit ratings (As per Rule No. 7.6 (xi) of the Listing Rules of the CSE)

12.1 National Long-term ratings

Fitch Ratings upgraded the rating Outlook of the Bank's credit rating to Stable from Negative in October 2023, largely due to ease in downside risks for the banking sector with upgrades to Sri Lanka's Long-Term-Local-Currency Issuer Default Rating to CCC- from RD (Restricted Default). Earlier in January 2023, Fitch Ratings downgraded the rating assigned to the Bank from AA-(lka) with a Negative Outlook to A (lka) amidst the sovereign downgrade and recalibration of the agency's Sri Lanka's national rating scale, along with nine other banks.

Meanwhile, the Bank's Bangladesh Operation's credit rating was reaffirmed at AAA by Credit Rating Information Services Ltd in June 2023 for the 13th consecutive year.

The ratings reflect the Bank's intrinsic financial strength, the established domestic franchise as Sri Lanka's third-largest bank and the entrenched domestic deposit franchise that underpins the Bank's funding and liquidity profile.

12.2 Credit ratings – Debentures (As per Rule No. 7.6 (xi) of the Listing Rules of the CSE)

The credit rating of the Bank's Subordinated Debentures was affirmed as BBB+(lka) by Fitch Ratings Lanka Ltd., in November 2023.

Governance and risk management

Board of Directors and profiles







Prof A K W Jayawardane
Chairman

Appointed as the Chairman of the Board of Directors in March 2022.

Appointed as the Deputy Chairman in December 2020.

Appointed as an Independent/ Non-Executive Director of the Commercial Bank in April 2015.

Chairman of the Board Related Party Transactions Review Committee, Board Nominations and Governance Committee, Board Human Resource and Remuneration Committee, Board Credit Committee and Board Strategy Development Committee since March 2022.

Skills and Experience:

He served as the Vice Chancellor of the University of Moratuwa for six years, Dean of the Faculty of Engineering for six years and as an Endowed Professor in Entrepreneurship at the University of Moratuwa. He obtained a BSc Eng Degree in Civil Engineering with first class honours from the University of Moratuwa, a Master of Science Degree in Construction from the Loughborough University of Technology UK and a PhD in Construction Management from the same University.

He is also a Corporate Member, a Fellow and an International Professional Engineer of the Institution of Engineers, Sri Lanka (IESL), CEng, FIE (SL), IntPE (SL), Fellow of the National Academy of Sciences of Sri Lanka, FNAS (SL), Founder Member of the Society of Structural Engineers Sri Lanka MSSE(SL), Fellow of the Institute of Project Managers, Sri Lanka, FIPM (SL), Life Member of Sri Lanka Association for Advancement of Science.

Graduate Member of the Sri Lanka Institute of Directors (SLID).

Other current appointments:

Chairman of CBC Tech Solutions Ltd., Director of Sierra Cables PLC, Director of Mother Lanka Foundation, Council Member of National Academy of Sciences Sri Lanka, Commission Member of University Grants Commission, Member of Board of Governance of Sir Arthur C Clarke Institute for Modern Technologies, Council Member of the National Institute of Education, and a member of the Stakeholder Engagement Committee of the Central Bank of Sri Lanka. He is a Senior Professor in Civil Engineering at the University of Moratuwa.

Previous appointments:

Vice Chancellor of University of Moratuwa, Dean of the, Faculty of Engineering, First NDB Bank Endowed Professor in Entrepreneurship at the University of Moratuwa, President of the Institution of Engineers Sri Lanka (IESL), Director General of National Science Foundation and a Board member of several other institutions.

Shareholding of Bank:

Hold 14,379 voting shares



Mr S Muhseen
Deputy Chairman

Appointed as an Independent/ Non-Executive Director in February 2021 and as the Deputy Chairman of the Bank in March 2022.

Appointed as the Chairman of Board Investment Committee and Board Technology Committee in March 2022. Appointed as the Chairman of Board Capital Expenditure Review Committee in February 2023.

Skills and Experience:

Mr Muhseen is a Senior Investment Banker with extensive experience in areas of Mergers and Acquisitions, Corporate Finance and Capital Markets. He has served in a senior capacity working with company boards and senior leadership teams of financial institutions across Asia to help drive their Strategic Corporate Agenda and Roadmap. He is credited with leading research reports including reports on Banking sector efficiency, currency depreciation and budget deficit in his role as Head of Sri Lanka Banking Sector Research and Lead Economist at Jardine Flemming. He also worked at Standard Chartered Bank in the Corporate Banking Division, where he started out as a Management Trainee and at Rodman and Renshaw stock and commodities broker based in Chicago. In his Investment Banking career spanning over 20 years, Mr Muhseen has completed landmark mergers and capital raising transactions in excess of USD 100 Bn. The Asia FIG sectors team at Merrill Lynch and Credit Suisse has won the "FIG Asia House of the Year" awards from the Asset magazine for several years under his leadership. Multiple transactions he led have been awarded as best country deals and best financial sector capital raise transactions.

Mr Muhseen has experiences at the policy level working as a Team Leader at the National Council for Economic Development (NCED) under the Ministry of Finance as well as a Director at the Task Force to Rebuild the Nation (TAFREN), Presidential Task Force for rebuilding the economy after the 2004 Tsunami. He holds a Masters in Economics from the University of Colombo and a Bachelor of Business Administration (Hons) from Western Michigan University. He has completed the Corporate Finance training program with J P Morgan in New York and undertaken several programmes in effective board leadership from the Singapore Management University.

Other current appointments:

Chairman of CBC Finance Ltd., Chairman/Director of Platinum Advisors Pte Ltd., a Board member of H2O One Pte Ltd., Lankan Angel Network, Director of Gestetner Ceylon PLC and David Pieris Holding (Pvt) Ltd. He is the Deputy Chairman of Amana Takaful Life PLC and also an Independent/Non-Executive Director of PCCW Limited, Hongkong. He is also a Senior Advisor to Great Eastern Holding Ltd, Singapore.

Previous appointments:

He previously worked in best-in-class global investment banks, Credit Suisse, Bank of America Merrill Lynch and J P Morgan in leading regional coverage roles. His most immediate previous role was as Managing Director, Head of South East Asia Financial Institutions Group (FIG) and Head of Asia Insurance at Credit Suisse based in Singapore. He was a Director of Merrill Lynch and an Associate Director of Deloitte. He has worked as a Senior Advisor to TPG and BNP Paribas.

Shareholding of Bank:

Holds 2,750 voting shares



Mr S C U Manatunge

Managing Director/Chief Executive Officer

Appointed as the Managing Director and Chief Executive Officer of the Bank in May 2022.

Appointed as a Non-Independent/Executive Director and Chief Operating Officer in July 2018.

Skills and Experience:

Mr Manatunge joined the Commercial Bank of Ceylon PLC in 1989. He has held Corporate Management/Senior Management positions such as Deputy General Manager – Corporate Banking, Chief Risk Officer, Head of Credit Risk and Chief Manager – Corporate Banking. Under Mr Manatunge, the Corporate Banking Division of the Bank experienced a rapid growth in the loan book and in areas such as Trade Finance fee-based income while maintaining the quality of advances. During his tenure as Chief Operating Officer, Mr Manatunge was heading strategically important business units of the Bank such as Personal Banking, Corporate Banking, Information Technology, Cards, and Digital Banking guiding them to become industry leaders. He has also given leadership and strategic inputs for transformational projects of the Bank such as “SME Transformation”, establishing a long term digital roadmap for the Bank and many projects to improve operational excellence.

He is a Fellow of Chartered Institute of Management Accountants UK (FCMA) and has obtained a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura with a Merit Pass. He is also a Fellow Member of the Institute of Bankers – Sri Lanka (FIB), a Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA), a Fellow of the Chartered Management Institute – UK (FCMI) and a Member of Certified Practising Accountants (CPA) – Australia. Mr Manatunge is also a Member of Sri Lanka Institute of Directors since August 2017.

He was adjudged the “Chief Information Security Officer of the Year” at the EC – Council Global CISO Forum held in Atlanta – USA in September 2013 in recognition of his outstanding contribution in strengthening and promoting information security practices and IT Risk Management. He was instrumental in forming the Association of Banking Sector Risk Professionals, Sri Lanka and was the President in the year 2014. He has also served as a Council Member of the Association of Professional Bankers (APB) and a member of the CIMA “Thought Leadership Committee”. Mr Manatunge was a visiting lecturer for the MBA Degree programme at the University of Colombo and was a resource person at the Training Centre of Central Bank of Sri Lanka and Institute of Bankers of Sri Lanka.

Other current appointments:

Managing Director of Commercial Development Company PLC, Deputy Chairman of Commercial Bank of Maldives Private Limited, Vice Chairperson of Sri Lanka Banks Association (Guarantee) Ltd., and a Council Member of the Employer's Federation of Ceylon. He is an Executive Member of The Council for Business with Britain. Mr Manatunge was elected as the Chairman of the Banking, Financial Services & Insurance Group of the Employers' Federation of Ceylon for year 2023/24. He also serves as a Director of Credit Information Bureau of Sri Lanka (CIBSL), and a Director of LankaPay (Pvt) Ltd.

Previous appointments:

Director of CBC Tech Solutions Ltd. and Director of Lanka Financial Services Bureau Ltd.

Shareholding of Bank:

Holds 118,599 voting shares



Mr L D Niyangoda

Director

Appointed as an Independent/Non-Executive Director in August 2016.

Skills and Experience:

He has a proven track record of over 40 years in the corporate environment and is qualified in various management fields both locally as well as internationally.

He holds Consultant, Business, and Administration experience for a period of 34 years and was appointed as an Independent/Non-Executive Director to the Board of Commercial Bank in August 2016.

Mr Niyangoda holds a Bachelor's Degree in Agricultural Science from the University of Peradeniya. He was a member of numerous professional bodies, including the Council for Agricultural Research Policy of Sri Lanka, Standing Committee of Agriculture and Veterinary Studies, University Grants Commission and the Board of Faculty of Agriculture, University of Peradeniya.

He has been a member of Sri Lanka Institute of Directors since March 2000.

Other current appointments:

Chairman of A Baur & Co. (Pvt) Ltd., and counts 41 years of experience with the Company, and a Director of Alfred Baur Memorial (Guarantee) Limited.

Previous appointments:

He served as the Managing Director/Chief Executive Officer of A Baur & Co. (Pvt) Ltd., Deputy Managing Director/Chief Operating Officer, A Baur & Co. (Pvt) Ltd., and a Director of Baur Asia (Pte) Ltd., Singapore.

Shareholding of Bank:

Nil



Ms N T M S Cooray

Director

Appointed as an Independent/Non-Executive Director in September 2016.

Skills and experience:

She is a senior finance professional with wide experience in the private sector.

Ms Cooray Holds a Master of Business Administration from the University of Colombo and a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA). She has been a member of Sri Lanka Institute of Directors since July 2006.

Other current appointments:

Chairman/Managing Director of Jetwing Travels (Pvt) Ltd., and Director, Jetwing Hotels Ltd.

Ms Cooray is a Non Independent/Non-Executive Director of Capital Alliance Holdings Limited. She also serves on the Board of CAL Investments Limited (Bangladesh) since August 2022 and a Non-Executive Director of Allianz Insurance Lanka Ltd.

Previous appointments:

She was the Former Chairperson of the Sri Lanka Institute of Directors and Jetwing Hotels Ltd., Director– Finance and Administration on the Board of J Walter Thompson, Trade Finance and Investments PLC, and served on the Boards of many other private and public companies. She was also a Member, Advisory Council for Tourism and a member of the Board of the Management of several other institutions.

Shareholding of Bank:

Holds 384,987 voting shares and 60,360 non-voting shares.

**Ms J Lee**

Director

Appointed as an Independent/ Non-Executive Director in August 2020.

Appointed as the Chairperson of the Board Integrated Risk Management Committee in March 2022.

Skills and experience:

A pioneer and leading expert in quantitative risk management and its applications to strategy. She has over 30 years of experience as a banker, capital markets expert and partner in management consulting firms serving CEOs and Boards in US and Asia.

Ms Lee holds an MBA from the Wharton School and a BSc from NYU Stern School of Business. She is co-author of the books "What Every CEO Must Know About Risk" and "RAROC and Risk Management" and also attended the Women on Boards Programme at Harvard Business School. Since 2000, Ms Lee had been as an Adjunct Professor at Singapore Management University where she developed and taught Enterprise Risk Management for 10 years. She has also taught Risk Management at Columbia University, New York. Ms Lee has lived and worked in both New York and Asia.

Other current appointments:

Managing Director of Dragonfly LLC which she co-founded in 2000. The New York based consulting firm provides strategy, risk management and investment advice to Boards, CEOs, CFOs, Business heads in US, Europe and Asia, covering all sectors, corporates, financial institutions and governments. She is also CEO of Dragonfly Capital Ventures (DFC) which she founded in 2009. DFC develops and invests in renewable energy in South East Asia.

She currently serves on the Board of Temasek Life Sciences Accelerator (TLISA) and is also an Entrepreneur-in-Residence. She is on the Board of Overseers of NYU Stern School of Business,

DBS Group Holdings Ltd, DBS Bank Ltd., DBS Foundation Ltd., SMRT Corporation Ltd., Mapletree Logistics Trust Management Limited and JTC Corporation. She is also the Non-Executive/Non-Independent Chairperson of Strides DST Pte Ltd., (a SMRT JV Company). She is an Independent Director of AITI Tiedemann Global. Ms Lee is the Co-President and Director of Break Some Glass, Inc. (WomenExecs on Boards—an Alumni network of Harvard Business School of Women on Boards program). She is also a Director of SG HER Empowerment Ltd.

Previous appointments:

Ms Lee has served as Board Director of Solar Frontier, a renewable energy subsidiary of Japan-listed Showa Shell Sekiyu. Prior to Dragonfly, Ms Lee was a key member of the pioneering team that developed quantitative risk methodology at Bankers Trust in the late 1980s. She ran the Bank's daily global risk quantification and reporting. She also worked on derivatives and other capital market products and was Risk Manager Reporting to the President for BT Securities.

Shareholding of Bank:

Nil

**Mr R Senanayake**

Director

Appointed as an Independent/ Non-Executive Director in September 2020.

Appointed as Chairman of Board Audit Committee in September 2020.

Skills and experience:

He is a Fellow member of CA Sri Lanka with over 30 years of post-qualifying experience and holds a B.Com. (Special) degree from the University of Sri Jayewardenepura with a second class upper division pass and a Postgraduate Diploma in Business Management from the PIM of the University of Sri Jayewardenepura. He completed his articles at Ernst & Young to qualify as a Chartered Accountant.

Mr Senanayake is passionate about and possesses extensive domain knowledge on the financial services industry, financial management and corporate reporting in particular, including such aspects as risk management, capital management, corporate governance, compliance, sustainability and integrated reporting. Besides many other local and overseas training programmes, he has undergone training on banking and finance with Euromoney and on general management with the National University of Singapore.

He works at Smart Media – The Annual Report Company as a Chief Officer since 2009.

Other Current appointments:

Mr Senanayake assumed the role of the Chairman at Senkadagala Finance PLC in August 2023. Prior to this position, he served as an Independent Non-Executive Director at the same organisation since April 2017. He is a Director of Virtual Capital Technologies (Pvt) Ltd., a software development company specialising in enterprise solutions within the real estate, retail, and telecom spaces catering to the New Zealand and the Australian markets since August 2017.

Previous appointments:

He served as an Independent/ Non-Executive Director from October 2014 to March 2021 and as a Non-Independent/Non-Executive Director from April 2021 to June 2022 of CBC Finance Ltd. He joined Singer Industries (Ceylon) PLC in 1991 as the Financial Accountant. Held several key positions from Senior Manager Finance up to Assistant General Manager (Finance & Planning) from 1994 to 2007 at Commercial Bank of Ceylon PLC. He also served as the Chief Financial Officer at the Nations Trust Bank PLC from 2007 to 2009.

Shareholding of Bank:

Nil



Ms D L T S Wijewardena

Director

Appointed as an Independent/ Non-Executive Director in March 2021.

Skills and experience:

She is a corporate executive with a proven track record in the IT industry both locally and internationally. She has been serving in various senior positions in the industry for many years gaining diverse experience in providing technology solutions from high tech startups to large multinational businesses in the world.

Ms Wijewardena is a Graduate member of British Computer Society. She gained her Board executive education at Harvard Business School, and also earned Strategy Certification for Game Changing Organisations and Artificial Intelligence in Impact for Business Strategies from Massachusetts Institute of Technology, Sloan School of Management. WIM together with IFC and Government of Australia awarded her as the best Woman Board Director 2021 (Sri Lanka/ Maldives) at the WIM awards 2021 in Colombo.

Other current appointments:

Ms Wijewardena is currently the Chief Executive Officer of Aventude (Pvt) Ltd. ('Aventude') which she co-founded in 2018. She is a Director/Shareholder of Aventude Pte Ltd., Singapore. Aventude is a technology strategic consultation & solutions company based in Colombo, Stockholm and Singapore with the specialisation of expertise in solving business problems using technology in an end-to-end spectrum. She also serves on the Board of Meta Dynamics, UAE, a company intended to carry out advance technical services for Metaverse related development.

Previous appointments:

Vice Chairperson of the Cabinet approved national initiative, Women's Chamber for Digital Sri Lanka (WCDSL), an initiative to uplift women participation in digital economy of Sri Lanka through ICT education, career empowerment and supportive policies.

Shareholding of Bank:

Nil



Dr S Selliah

Director

Appointed as an Independent/ Non-Executive Director in April 2022.

Skills and experience:

Dr Selliah holds a MBBS degree and Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields including Manufacturing, Healthcare, Insurance, Logistics, Packaging, Renewable Power, Plantation, Retail etc. He serves on the Boards of many public limited and private limited companies. He has extensive experience on serving on Board sub committees which include Audit, Human Resource and Remuneration, Investment, Strategic Planning, Related Party, Nomination, etc.

Other current appointments:

Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd. He is also a Director of Lanka Tiles PLC, Lanka Walltiles PLC, ACL Cables PLC and Swisstek (Ceylon) PLC. In addition, Dr Selliah is also the Chairman of JAT Holdings PLC, Vydexa (Lanka) Power Corporation (Pvt) Ltd., and Cleanco Lanka (Pvt) Ltd. He has also served on many other Boards in the past. Currently, he also serves on the many Board Sub Committees of some of the companies listed above as the Chairman or a member.

Previous appointments:

He was a Director of Expo Lanka Holdings PLC, Horana Plantation PLC, Unidil Packaging (Pvt) Ltd. He also served as a Director of Lanka Ceramic PLC, Director of Softlogic Holdings PLC, Odel PLC, Swisstek Aluminium (Pvt) Ltd., and HNB Assurance PLC. He has served as a Senior Lecturer in the Faculty of Medicine, University of Kelaniya for many years in the past and served on several committees. He has also been the Head of the Department of Physiology for many years during his tenure at the Faculty. He has also served as a Council Member at the University of Colombo.

Shareholding of Bank:

Holds 28,759 voting shares.



Mr S Prabagar

Chief Operating Officer/Executive Director

Appointed as the Chief Operating Officer and Executive Director in May 2022.

Skills and Experience:

Mr Prabagar is a senior banker with over 28 years of diversified banking experience with the Bank. He has served as branch manager of mid-sized and larger branches in Colombo, performed as Chief Operating Officer and Country Manager of the Bank's Bangladesh Operations, provided leadership to Internal Audit function of the Bank as the Head and Assistant General Manager, spearheaded the Bank operations as the Assistant General Manager in charge of Operations and lead Corporate Banking as the Deputy General Manager, which was the last position held by him before taking up this responsibility.

Having turned around the branches he managed to greater performance, he contributed and was instrumental in bringing up Bangladesh Operations from a two branch two booth operations to that of a 19 branch operations, 3rd highest profitable bank next only to SCB and HSBC out of 10 foreign banks, which also contributed to around 15% of the overall bottom line of Commercial Bank. Under his leadership, operations in Bangladesh earned AAA credit rating by the leading credit rating agency CRISL.

He represented the Bank at National Payment Council meetings at CBSL. He also functioned as the Bank's Ombudsman in resolving customer complaints with Financial Ombudsman of the country. He was the representative of the Bank to BTAC (Bankers Technical Assistance Committee) appointed

by Bankers Association of Sri Lanka, to take up operational issues faced by banks.

He served in the panel of lecturers to the Post Graduate Diploma in Bank Management offered by Institute of Bankers (IBSL) and carried out lectures over 4 years. He was a Secretary to Bangladesh-Sri Lanka Chamber of Commerce and Industry, actively promoting trade and investment between the countries.

Mr Prabagar holds an MBA in Banking from University of London, an Associate of Institute of Bankers (AIB - SL), and B.Com from Bharathidasan University in India.

He is fully qualified in CIMA (Chartered Institute of Management Accountants – UK), and CISA (Certified in System Audit – USA), also holding a Diploma in System Security and Control Audit (DISSCA – CASL).

Other current appointments:

Non-Independent/Non-Executive Director of the Board of Commercial Bank of Maldives Private Limited, Director of CBC Myanmar Microfinance Company Ltd., and a Director of Lanka Financial Services Bureau (Pvt) Ltd.

Previous appointments:

Non-Executive Director at the Board of CBC Tech Solutions Limited, He has also served as the Chairman of Roadmap Committee appointed by the Central Bank (CBSL) on implementation of Blockchain technology in Sri Lanka.

Shareholding of Bank:

Holds 251,136 voting shares and 26,290 non-voting shares.



Mr D N L Fernando

Director

Appointed as an Independent/ Non-Executive Director in February 2023.

Skills and experience:

Mr Fernando is a Professional Banker, who retired from active service in the banking sector in August 2020. with a career spanning over 33 years at the Bank of Ceylon (BoC), he has played many prominent roles in the Recoveries Department and the Product Development Banking Unit where he had initiated a number of noteworthy innovative liability and asset products.

He has vast experience in branch banking, customer service and Corporate/Retail credit in rural and urban branches for over 14 years and training/exposure in international and treasury operations, which he gained during his service at the BoC, London Branch and as a member of expatriate staff at the BoC, Karachi Branch (now closed) in Pakistan. He has also managed 70 BoC branches for 4 years as the Assistant General Manager in charge of the Western Province South (Largest Administrative Region of BoC then), before taking up the assignment at BoC (UK) Ltd. as the CEO/Director in late 2012.

He holds a Bachelor of Science (Hon.) degree from the University of Colombo and served briefly in the Academic Staff of the (then) Batticaloa University College and, under the Ministry of Education as an Education Officer in "Sri Lanka Education Service", before joining the Bank of Ceylon in 1986.

An Associate Member of the Institute of Bankers of Sri Lanka since 1998.

Other current appointments:

General Manager and Chief Executive Officer of Grand Oriental Hotel (GOH).

Previous appointments:

General Manager of CeyBank Holiday Homes (Pvt) Ltd., a subsidiary of BOC Travels (Pvt) Ltd. and Property Development and Management (Pvt) Ltd.

Chief Risk Officer (Deputy General Manager) of BOC, (which he held for more than four and a half years until his retirement in August 2020) and the Chief Executive Officer/ Director of Bank of Ceylon (UK) Ltd.

Shareholding of Bank:

Nil



Mr P M Kumarasinghe

Director

Appointed as an Independent/ Non-Executive Director in April 2023.

Skills and experience:

Mr Palitha Kumarasinghe is a Senior President's Counsel specialised in Civil and Commercial matters with lucrative practice. Mr Kumarasinghe enrolled as an Attorney at Law of the Supreme Court of Sri Lanka in September 1982 and was appointed as a President's Counsel by His Excellency the President with effect from July 07, 2006.

Mr Kumarasinghe is in active practice in the District Court of Colombo, Commercial High Court, Civil Appellate High Court of Colombo and the Superior Courts. He is the Counsel for several State and Private Banks and Finance Houses. He has very wide experience in Debt Recovery matters and is a regular Speaker in Banking and Debt Recovery Law Sessions and many other Corporate Law matters in National Law Conferences, Junior National Law Conferences, Continuing Legal Education Programmes conducted by the Bar Association of Sri Lanka, the Association of Corporate Lawyers, Sri Lanka and the Colombo Law Society.

He has been a member of the Bar Council of Sri Lanka for the past 36 years.

Other current appointments:

Mr Kumarasinghe is a member of the University Grants Commission of Sri Lanka, a Member of the Law Commission of Sri Lanka and the Chairman of the Standing Committee on Legal Studies of the University Grants Commission. He is also the Chairman of the

Rent Law Reform Committee, the Chairman of the Banking and Finance Law Reform Committee, and the Co-Chair of the Apartment Ownership Law Reform Committee, Ministry of Justice, and a member of the Expert Committee to draft a Higher Education Act appointed by Hon. Minister of Justice. He is a member of the Executive Committee of the Bar Association of Sri Lanka.

Previous appointments:

Mr Kumarasinghe was a member of Public Service Commission of Sri Lanka from April 2006 to April 2009 and from May 2011 to May 2014. He was a member of the Incorporated Council of Legal Education, the Chairman, Environmental Council established under the National Environment Act, a member of the Advisory Commission on Intellectual Property established under the Code of Intellectual Property Act, the Chairman of the Committee appointed by the Cabinet of Ministers and the Public Service Commission to study the existing Medical Service Minute and propose solutions to the problems existing in the Medical Administration Grade. Mr Kumarasinghe served as an Independent/ Non-Executive Director of Laugfs Gas PLC and Nawaloka Hospitals PLC.

Shareholding of Bank:

Nil



Mr R A P Rajapaksha

Company Secretary

Appointed as Company Secretary in April 2019.

Skills and experience:

An Associate of Chartered Governance Institute – UK & Ireland, formerly known as Institute of Chartered Secretaries and Administrators (ICSA – UK) and a Graduate of the Institute of Chartered Corporate Secretaries (ICCS) of Sri Lanka counting over 20 years of experience in the field of Company Secretarial Practice including 13 years of experience at the Bank. He is a member of Sri Lanka Institute of Directors since September 2017.

Other current appointments:

Vice President of the Chartered Governance Institute – UK & Ireland, Sri Lanka & Asia Pacific Branch. Appointed as an All-Island Justice of the Peace in 2019.

Previous appointments:

Company Secretary of CBC Finance Ltd. from November 2014 to March 2019. Assistant Company Secretary of the Bank from February 2011 to March 2019.

Shareholding of Bank:

Nil

Corporate Management and profiles





01. S C U Manatunge

Managing Director/Chief Executive Officer
FCMA (UK)/CGMA/FCMI (UK)/CPA (Aus)/
FCMA (SL)/FIB (SL)/MBA Merit (University
of Sri Jayewardenepura)

34 years in Banking

02. S Prabagar

Chief Operating Officer
FCMA(UK)/CGMA/MBA (University of
London)/AIB (SL)/B. Com (Bharathidasan
University, India)/DISSCA– CA Sri Lanka/
CISA (USA)

28 years in Banking

03. Nandika Buddhipala

Chief Financial Officer
FCA/FCCA (UK)/FCMA/CMA (Aus)/MCISI (UK)/
SA Fin (Aus)/IMA (USA)/BSc, BAd (Special)
(University of Sri Jayewardenepura)/
PG Dip in Management (University of
Sri Jayewardenepura)/MBA (University
of Colombo)/MA in Financial Economics
(University of Colombo)/MSc in Financial
Mathematics (University of Colombo)

33 years post qualifying experience including
16 years in Banking

04. Isuru Tillakawardana

Deputy General Manager –
Human Resource Management
LL.B (University of Colombo)/MBA (University
of Sri Jayewardenepura)/MA (University of
Colombo)/Diploma in International Affairs
(BCIS)/GSLID (SLID)/Fellow of the Association
of HR Professionals

33 years of experience including 14 years in
Banking

05. Hasrath Munasinghe

Deputy General Manager - Retail Banking
and Marketing
FIB (SL)/FCIM (UK)/FSLIM/FCMI (UK)/ACMA
(UK)/CGMA/CMA (Aus)/GSLID (SLID)/MSc in
IT (University of Moratuwa)/MBA (University
of Southern Queensland, Aus)/CPM (Asia
Pacific Marketing Federation, Sing)/Post
Graduate Diploma in Business and Finance
Administration (CA Sri Lanka)/Advanced
Diploma in Credit Management (IBSL)/
Diploma in Treasury & Risk Management
(IBSL)

30 years of experience including 13 years in
Banking

06. Asela Wijesiriwardane

Deputy General Manager – Treasury
BSc (University of Colombo)/MA-Econ
(University of Colombo)/ACMA (UK)
27 years in Banking

07. Delakshan Hettiarachchi

Deputy General Manager - Personal Banking
CIM (UK)/MBA (Cardiff Metropolitan
University, UK)/AIB (SL)
40 years in Banking

08. Kapila Hettihamu

Chief Risk Officer
BSc (University of Colombo)/MBA (University
of Colombo)/Member (Association Cambiste
Internationale)

28 years in Banking

09. John Premanath

Deputy General Manager –
Management Audit
FCCA (UK)/ACA (ICA England & Wales)/ACA
(CA Sri Lanka)/CISA (USA)/CIA (USA)/BSc
Applied Accounting (Oxford Brookes – UK)/
AIB (SL)/DISSCA/ISO 27001:2013 ISMS Lead
Auditor/GSLID (SLID)

33 years in Banking

10. Ms Tamara Bernard

Deputy General Manager - Corporate Banking
AIB (SL)/Masters in Development Studies
(University of Colombo)/MBA (University of
Sri Jayewardenepura)

34 years in Banking

11. Sumudu Gunawardhana

Chief Information Officer
BSc (Eng.) in Computer Science and
Engineering (University of Moratuwa)/
MBA (University of Colombo)/AIB (SL)/CIMA
passed finalist/PMP (USA)/EPGM-Sloan
Business School (Massachusetts Institute of
Technology USA)

26 years of experience in Information
Technology including 3 years in Banking

12. Prasanna Indrajith

Deputy General Manager – Finance
FCA/FCCA (UK)/FCMA (SL)/AIB (SL)/BSc BAd
(Special) (University of Sri Jayewardenepura)/
Postgraduate Diploma in Business and
Financial Admin. (CA Sri Lanka)

29 years post qualifying experience in
Finance related fields including 27 years in
Banking

13. Krishan Gamage

Assistant General Manager -
Information Technology
BSc (Eng.) in Electronic and
Telecommunication (University of Moratuwa)
25 years of experience in Information
Technology including 17 years in Banking

14. Chinthaka Dharmasena

Assistant General Manager – Services
BSc (Eng.) Hons in Mechanical Engineering
(University of Moratuwa)/MBA (University
of Sri Jayewardenepura)/ISO Lead Auditor
Certificate/Visiting lecturer at University of
Moratuwa

22 years of experience in Manufacturing and
Supply Chain Management and 12 years in
Banking

15. B A H S Preena

Assistant General Manager –
Corporate Banking I
MBA (University of Colombo)/FIB (SL)
36 years in Banking

16. Mrs Mithila Shamini

Assistant General Manager –
Personal Banking I
AIB (SL)/Dip. in Business Mgmt. (SLBDC)/
Postgraduate Diploma in Business and
Financial Admin. (CA Sri Lanka)/MBA
(Griffith University, Aus)
37 years in Banking

17. M P Dharmasiri

Assistant General Manager – Planning
FCA/FCMA (SL)/AIB (SL)/MSc Mgt (University
of Sri Jayewardenepura)/MA Financial
Economics (University of Colombo)/BSc BAd
(Special) (University of Sri Jayewardenepura)
34 years in Banking

18. Mrs Dharshanie Perera

Assistant General Manager –
Personal Banking II
MCIM (UK), FICM (SL), AIB (SL)
39 years in Banking

19. Ms Kelum Amarasinghe

Assistant General Manager –
Compliance/Compliance Officer
Intermediate Diploma in Banking & Finance
(IBSL)/Post graduate Diploma in Strategic
Management and Leadership (QUALIFI, UK)
35 years in Banking

20. Thusitha Suraweera

Assistant General Manager – Operations
Passed Finalist, CIMA (UK)
26 years in Banking

21. Nalin Samaranayake

Assistant General Manager –
Credit Supervision and Recoveries
AIB (SL)/Postgraduate Executive Diploma in
Bank Mgt./MBA – Cardiff Metropolitan, UK
36 years in Banking

22. Varuna Kolamunna

Assistant General Manager –
Personal Banking III
Intermediate Diploma in Banking & Finance
(IBSL)/Masters of Business Administration
(Open University of Malaysia)
33 years in Banking

23. S Ganeshan

Assistant General Manager –
Personal Banking IV/SME
Intermediate Diploma in Banking & Finance
(IBSL)/Postgraduate Diploma in Business
Administration, Staffordshire University, UK
35 years in Banking

24. Sidath Pananwala

Assistant General Manager –
Corporate Banking II
AIB (SL)/MBA (University of
Sri Jayewardenepura)/CMA (Australia)
37 years in Banking

25. Dilan Rajapaksha

Assistant General Manager –
Personal Banking IV (Designate)/Former
Managing Director/Chief Executive Officer –
Maldivian Operation
FIB (SL)/CGMA Adv Dip MA
34 years in Banking

26. Pradeep Banduwansa

Assistant General Manager – Digital Banking
Intermediate Diploma in Banking & Finance
(IBSL)/AIB Final Stage 1/Executive MSc in
Strategic Management (Asia eUniversity
Malaysia)
34 years in Banking

27. Najith Meewanage

Chief Executive Officer –
Bangladesh Operations
AIB (SL)/Masters of Business Administration
(University of Greenwich, London, UK)
31 years in Banking

28. Tivanka Damunupola

Assistant General Manager – Treasury
Intermediate Diploma in Banking & Finance
(IBSL)/Association Cambiste Internationale
– Financial Markets Association, Dealing
Certification
28 Years in Banking

Senior Management

Corporate banking



Mrs Feroza Ameen
Head of Islamic Banking



Geehan Jayawickrama
Chief Manager – Corporate Banking



Pubudu Perera
Chief Manager – Corporate Banking



Amal Alles
Head of Centralised
Credit Processing Unit



Mrs Sushara Vidyasagara
Head of Investment Banking



Mrs Ruvini Samarasinghe
Chief Manager – Foreign Operations



Haily Algewatte
Chief Manager – Corporate Banking



S B Wasala
Senior Regional Manager –
Colombo South (Since retired)



Prasad Fernando
Head of Imports



Lakmal Subasinghe
Chief Manager – Corporate Banking



Sanath Perera
Senior Regional Manager –
Colombo Inner



Lawrian Somanader
Head of Exports



Saneth Jayasundara
Senior Regional Manager – Central



Shanthapriya Withanage
Senior Regional Manager –
Greater Colombo

Treasury

**Ramachandren Sivagnanam**Senior Regional Manager –
Colombo South**Mrs Nelum Wasala**Chief Manager –
Centralised Credit Processing Unit**Mrs Nimalka Wickremaratchchi**Regional Manager –
Colombo Outer**Mrs Chandrima Leelarathne**

Head of Treasury Processing

**Mrs Chandani
Siyambalagastenne**

Senior Regional Manager – Wayamba

**Chamenda Kalugamage**Regional Manager –
Uva Sabaragamuwa**Aruna Tennakoon**Regional Manager –
Colombo North**Hemal Jayasekara**

Chief Dealer – ALM

**Michael De Silva**

Regional Manager – North Central

**Roshan Peiris**

Regional Manager – Southern

**Athula Palletenna**

Regional Manager – South Western

**Chirantha Caldera**

Chief Dealer – Treasury Sales

**Hemantha Sooriyabandara**

Regional Manager – Colombo Metro

**Arulumpalam Jeyabalan**

Regional Manager – Northern

**Ms Dharshini Gunatilleke**Chief Manager –
Centralised Credit Processing Unit

Support services



Tilak Wakista
Head of Premises



Ms Sunari Dandeniya
Chief Information Security Officer



Jagath Weerasinghe
Chief Manager –
Information Technology



Mrs Kalhari Goonaratne
Chief Manager –
Central Administration



Mrs Pushpa Chandrasiri
Head of Human Resources



Dr Shanthikumar Fernando
Chief Manager –
Research and Development



Dushmantha Jayasuriya
Chief Manager – Retail Products Unit



Upendra Tilakaratne
Data Protection Officer



Nishantha De Silva
Head of Card Centre



Priyantha Perera
Chief Manager –
Super Market Banking Unit



Ravindra Kodytuakku
Chief Manager –
Compensation & Benefits Unit



Pramith Rajapaksha
Company Secretary



Harendra Ranasinghe
Head of Security & Safety



Mrs Charika Jayasekera
Chief Manager –
Retail Credit Approval Unit



Upul Perera
Chief Manager –
Central Systems Support Unit



Rasika Perera
Chief Manager –
Staff Development Centre



Mrs Varuni Egodage
Head of Legal



Mohan Fernando
Chief Manager – SME Banking Unit



Buddhika Gunawardana
Chief Manager – Information Technology



Mahela Perera
Chief Manager – Recoveries



Asanka Wijayasinghe
Chief Manager – Operations



Mrs Chathurani Rajamuni
Chief Manager – Inspection



Shaliya Weeratunge
Chief Manager –
Integrated Risk Management



Mrs Aparna Jagoda
Chief Manager – Marketing



Ms Jalika Hewagama
Chief Manager –
Customer Experience Unit



Mrs Dilrukshi De Silva
Chief Manager – AML/Compliance



Mrs Deepika Vidanagamage
Chief Manager – Operations



Thushara Yatawara
Chief Manager – IS Audit



Mrs Pushpa Jayaweera
Chief Manager – Legal



Ms Vathsala Wijekoon
Chief Manager – Planning



Rangika Rodrigo
Chief Manager – Procurement

Bangladesh operations



Najith Meewanage
Chief Executive Officer



Mostofa Anowar Sohel
Senior Assistant General Manager –
Human Resource



Kasun Herath
Deputy Chief Executive Officer
and Chief Operating Officer



Shakir Kushru
Senior Assistant General Manager –
Personal Banking



Mahmud Hossain
Deputy Chief Executive Officer and
Head of Corporate Banking



Ms Fatema Zohara
Assistant General Manager –
Corporate Banking



Binoy Gopal Roy
Chief Financial Officer

Subsidiary
operations (Local)

Ruwan De Silva
Chief Executive Officer –
Commercial Development Company PLC



Keerthi Mediwake
Chief Executive Officer –
CBC Tech Solutions Limited



Thushara Thomas
Managing Director –
Commercial Insurance Brokers (Pvt) Ltd.

Subsidiary
operations (Foreign)

Elmo Sooriyaarachchi
Managing Director/Chief Executive Officer –
Commercial Bank of Maldives Private Limited.



Sajeew Piyaratne
Managing Director/Country Head –
CBC Myanmar Microfinance Company Ltd.

Annual corporate governance report

Chairman's Message

In navigating the complexities of rapidly evolving global landscape, characterised by both virtual and physical transformations, the imperative to remain competitive while upholding ethical standards has never been more pronounced. The banking industry, amidst heightened competition, technological advancements, demographic shifts, and regulatory requirements, is confronted with unprecedented challenges in scaling up operations. As demands from regulators, investors, and the wider community continue to rise, we are resolute in upholding the highest standards of corporate integrity and responsible governance.

As the Chairman of the Bank, I am pleased to convey our steadfast dedication to corporate governance principles and practices in our operations. Transparency, accountability, and good governance are no longer mere compliance requirements, but essential pillars of our Bank's success and sustainability.

Throughout the year, the Board has been actively engaged in overseeing our strategic direction, addressing evolving challenges, and strengthening our governance structure. We maintain a strong focus on shareholder engagement, while ensuring a robust and transparent process for Director appointments and re-elections.

At Commercial Bank, we operate within a framework of transparency, accountability, and adherence to ethical codes, recognising them as fundamental to sustainable growth. Transparency serves as a cornerstone of our governance framework, fostering accountability, good governance, and sound financial and risk management practices, which are essential to empower stakeholders and maintain trust, given our role as a financial intermediary.

Our Board guides value creation over the short, medium, and long term, taking responsibility for the Bank's actions and performance. Timely disclosures, including those in this Integrated Report and Financial Statements, are instrumental in maintaining transparency across functional areas. Committees at both Board and Executive levels follow stringent guidelines enumerated in their respective charters and terms of reference, fostering accountability through oversight on reporting, disclosures, performance evaluation, and reward structures.

Transparency, accountability and good governance are no longer mere compliance requirements, but essential pillars of our Bank's success and sustainability.

In the year 2022, we introduced the Conduct Risk Management Policy and the Anti-Bribery and Anti-Corruption Policy (<https://www.combank.lk/info/file/91/anti-bribery-andanti-corruption-policy>) to underscore our commitment to ethical conduct. Timely disclosures, accessible through our intranet and the website, ensures transparency while upholding confidentiality. Our Integrated Report and Financial Statements go well beyond compliance requirements, demonstrating our accountability to stakeholders showcasing our focus on environmental, social, governance and wider sustainability aspects.

Operational sustainability, guided by exemplary governance practices, ensures our ability to thrive in the future. Upholding legal and ethical principles, we strike a balance between financial aspirations and community welfare. Our commitment to societal and environmental welfare underscores our role as a consolidator of stakeholders' aspirations and a benefactor of grassroots communities.

The Conduct Risk Management Policy and the Anti-Bribery and Anti-Corruption Policy which together with the Code of Ethics and the Whistleblowers' Charter encourage all staff members at all levels to be ethical and accountable in their dealings.

I am happy to state that the Bank has adhered to all the applicable requirements of the Banking Act Direction No. 11 of 2007 on Corporate Governance of the CBSL. Additionally, the Bank is in compliance with the majority of the requirements of the recently revised Section 9 of the Listing Rules on Corporate Governance issued by the CSE, with efforts underway to fulfill the remaining requirements within the specified timelines. Furthermore, the Bank has largely complied with the requirements set out in the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, with measures underway to comply with the remaining requirements.



This Integrated Annual Report, featuring comprehensive voluntary disclosures surpassing compliance requirements, is a clear demonstration of our accountability to the stakeholders. Guided by our Sustainability Framework (page 54), we have been steadily broadening our focus and disclosures on environmental, social and governance-related aspects, to showcase in particular that the CSR Trust of the Bank envisages the social and environmental conscience as a pillar by itself, crucial not only for overall sustainability but also as a manifestation of corporate empathy.

Looking ahead, we remain committed to delivering even greater value to our shareholders, providing exemplary services to our customers, and adapting to the changing dynamics of the financial industry. Together, with the dedication of our Board, Management team, employees, shareholders, and stakeholders, we will navigate challenges and seize opportunities, building an even-more-stronger and even-more-resilient Commercial Bank of Ceylon PLC.

I extend my heartfelt gratitude to our Board, Management team, employees, shareholders, customers and all other stakeholders for their unwavering support and commitment to our governance principles. Together, we will continue to uphold the highest standards of corporate governance, ensuring sustainable success of our organisation.

Prof A K W Jayawardane
Chairman

February 21, 2024
Colombo

How we govern

(Principles D.6 and D.7)¹

As per the disclosure requirements of the Banking Act Direction No. 11 of 2007 on Corporate Governance (the Direction) and the Section 9 of the Listing Rules on Corporate Governance issued by the CSE, pages 439 to 445 of this Report elaborate the structure, overarching principles, and elements of the Bank's corporate governance framework. In addition, the Bank has complied with the principles enumerated in the Code of Best Practice on Corporate Governance – 2023 (the Code) issued by CA Sri Lanka.

The External Auditors of the Bank, Messrs Ernst & Young have submitted their Assurance Statement to the Central Bank of Sri Lanka (CBSL), following their review of the Bank's compliance in line with the Direction.

The extent of compliance in line with the Direction is disclosed in Annex 1.1 on pages 422 to 433, while compliance with the Code is presented in Annex 1.2 on pages 434 to 438 and the compliance with the Section 9 of the Listing Rules is given in Annex 1.3 on pages 439 to 445. Furthermore, the Bank has complied with all the disclosure requirements under the prescribed format issued by the CBSL for the publication of Annual Financial Statements, and a comprehensive disclosure statement thereon is given in Annex 1.4 on pages 446 to 450.

Bank's approach to governance

As the Bank holds the fiduciary responsibility of accepting and deploying vast sums of uncollateralised public funds, the importance of maintaining public trust and confidence for its long-term success and sustainability cannot be overemphasised. To this end, the Bank considers exemplary conduct on the part of all its employees as essential to good governance, be it from the Board of Directors at the highest governing body and the members of Corporate Management, to the Senior Management and the staff at the most junior level. Accordingly, the Bank has put in place a system of good corporate governance – the system of rules, practices, and processes that guides corporate behaviour ensuring a disciplined approach to decision-making and execution with the interests of all stakeholders at heart. This system has been the bedrock of the Bank of its existence for over 100 years and sustainable value creation.

At Commercial Bank, good corporate governance is not limited to legal and regulatory requirements alone but is viewed as a collective responsibility that serves as the foundation for financial integrity, sustainable value creation, and investor confidence. While it is a strong and highly effective risk management tool, it simultaneously paves the way for the Bank to exploit opportunities. Given this huge responsibility, the Bank has an unwavering commitment to good corporate governance and conducts its affairs with utmost intellectual honesty, integrity, and diligence whilst being mindful of its obligations to society and the environment. This tone is set at the topmost echelons of the Bank's Corporate governance structure and echoes through the entire work culture at the Bank.

While the commitment to good corporate governance has been in place for over a century, the underlying framework is regularly reviewed and updated to be in line with the evolving regulations and best practices. The framework has consistently and successfully guided the Board, Board Committees, Management, Management Committees, and staff in performing their stewardship roles. This framework is underpinned by the governance principles of leadership, integrity, effectiveness, accountability, transparency, sustainability, and shareholder engagement. These principles guide the Bank's Management in all its decisions relating to Board oversight, delegation of authority, division of responsibilities, resource allocation, risk management, internal controls, compliance, performance appraisal and compensation, related party transactions, and financial reporting. The fact that the Bank is the most awarded bank in Sri Lanka bears testimony to its commitment to good corporate governance (Refer page 35 for the details of awards and accolades won by the Bank in 2023). During the year under review, the Bank carried out a comprehensive study to ensure that the Bank complies with the guidelines stemming from the revised Code and the Section 9 of the amended Listing Rules of the CSE.

Objectives of the Bank's Corporate Governance Framework

As the largest private sector bank and the third largest bank in Sri Lanka, Commercial Bank touches the lives of millions of people in various capacities, and these stakeholders in turn have high expectations of their

interactions with the Bank. Given that this trust and confidence are imperative for the long-term success of the Bank, the Corporate Governance framework in place at the Bank has been designed to ensure the following as envisaged in its Business Model (pages 58 and 59):

- Guiding the Bank on ESG and broader sustainability matters (risks and opportunities) to ensure the long term success of the Bank.
- Facilitating adequate oversight on Management to ensure due diligence on key decisions and implementation of strategies as intended
- Establishing clear ownership and accountability on key and emerging risks
- Maintaining systems and processes efficiently to speedily identify, assess, and escalate issues, incidents, and risks
- Facilitating efficient decision-making for timely and effective outcomes to achieve expected results
- Ensuring business and support service functions are sufficiently resourced with the required competencies and maturity
- Ensuring the remuneration framework is properly aligned with the long-term success of the Bank
- Ensuring that the Bank's operations comply with policies, laws, regulations, and ethical standards both to the letter and spirit
- Ensuring assets are safeguarded by having proper controls in place
- Guiding the Bank and its Group companies to be more stable, resilient, and future-ready
- Creating value sustainably for all stakeholders over the short, medium, and long-term

To achieve the objectives stated above, the Board has ensured the following:

- Clearly demarcating and distributing the roles and responsibilities among the Board, Board Committees, Management, and Management Committees, with the approved charters/mandates and Terms of Reference which are reviewed annually
- Establishing clear reporting lines and frequency of reporting
- Taking into consideration the legitimate needs, interests, and expectations of all the stakeholders
- Upholding the highest degree of fairness, transparency, and accountability

¹ Principles referred to in this section are the principles in the Code of Best Practice on Corporate Governance Framework

- Adopting an Anti-Bribery and Anti-Corruption Policy which sets out principles for countering bribery and corruption and the management of bribery and corruption risk and communicating same to all staff clearly indicating the Bank's stance on zero tolerance for non-compliance
- Adopting a Group Conduct Risk Management Policy Framework
- Adopting a Whistleblowers' Charter and communicating same to all staff clearly instructing that the staff are expected to

be familiar with the contents of same and that the staff are always expected to act in conformity with the Charter

- Aligning remuneration to performance, based on accurate job descriptions, pre-agreed KPIs and clear communication of expectations from the employees
- Minimising negative externalities to society and the environment
- Living by the claims made and values associated with the Bank's brand reputation

- Ensuring that the Sustainability Framework of the Bank operationalise sustainable banking, responsible organisation, and community impact

The key regulatory requirements and voluntary codes relevant to the Bank and elements of its Corporate Governance Framework are depicted in Figure 39 below on page 179.

Key regulatory requirements, voluntary codes, and elements of Corporate Governance Framework

Figure – 39

External

- Section 9 of the Listing Rules on Corporate Governance and Section 7 of the Listing Rules on Continuing Listing Requirements of the CSE which address, inter alia, Corporate Governance requirements applicable to listed entities and the rights of investors
- Banking Act No. 30 of 1988 and amendments thereto which contain provisions for preserving the rights of the depositors and the rights and responsibilities of regulators
- All Directions issued to Licensed Commercial Banks by the Central Bank of Sri Lanka, particularly the Banking Act Direction No. 11 of 2007 on Corporate Governance and other Directions issued by the Central Banks of the countries within which the Bank operates
- Companies Act No. 07 of 2007 and amendments thereto which include provisions for preserving rights of investors
- Directions and Circulars issued by the Securities and Exchange Commission (SEC) of Sri Lanka

- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka which seeks to address how corporates operate while fulfilling the rights of key stakeholder groups
- Acts, Circulars, and Gazettes issued by the Taxation Authorities for banks to act as collecting agents
- Requirements under Sri Lanka Accounting and Auditing Standards Monitoring Board
- Shop and Office Employees Act No. 19 of 1954 and amendments thereto addressing the rights and responsibilities of employees
- Corporate Directors' Handbook
- Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by CA Sri Lanka
- The CBSL Roadmap for Sustainable Finance in Sri Lanka
- Personal Data Protection Act No. 09 of 2022

Internal

Elements of Corporate Governance Framework

- Articles of Association of the Bank
- Bank's Organisational Structure (Annex 7 on Page 476)
- Terms of Reference and Charters of Board, Board Committees, and Management Committees
- Integrated Risk Management Framework
- The Board approved policies on all major operational aspects
- Related Party Transactions Policy
- Code of Business Conduct and Ethics for all employees
- The Sustainability Framework

Governance structure

The foundation of the governance structure of the Bank is built on well-defined roles and responsibilities, greater accountability, and clear reporting lines of the Board, Board Committees, Corporate Management, and Executive Management Committees. The Board and Board Committees assisted by consultants where necessary are responsible for setting the strategy, defining the risk appetite, and exercising oversight while Corporate Management and Executive Management Committees are responsible for executing the strategy and driving performance. Responsibility and accountability for conducting operations and assuming risk under the purview of the Corporate Management lie with those heading the strategic business units and support functions. The governance structure of the Bank is given in  Figure 40 on page 181.

The Bank has a Board approved organisation structure, which clearly depicts the work responsibilities and reporting relationships ( Refer Annex 7 on page 476 for an abridged organisation chart).

Board of Directors (Principles A.1, A.1.5, A.4, and A.10)

The Board of Directors plays a pivotal role in demonstrating good corporate citizenship, ethical behaviour, transparency, and accountability whilst also warding off all forms of corporate malfeasance. The Board of Directors - the highest decision-making authority - with responsibility for the sustainability of the Bank provides leadership by setting strategic direction, defining risk appetite, monitoring and evaluation of performance, resource allocation, compliance, business conduct, approving remuneration policies, and making appointments to the Board, Board Committees, and the Corporate Management. Under the due diligence and oversight of the Board, Corporate Management is responsible for the execution of the strategy, day-to-day operations, and implementing an effective system of internal control and risk management. The Board and Corporate Management have a clear mutual understanding of their respective roles, delegated authority, and boundaries. Based on trust and respect, the Board and

the Corporate Management work within a productive and harmonious relationship which is a pre-requisite for good corporate governance and organisational effectiveness. This has proved to be one of the key reasons for the many achievements of the Bank and its positioning as the benchmark private sector bank in the country over the years. Furthermore, the Bank is one of the two higher tier Domestic Systemically Important Banks (D-SIBs) in Sri Lanka.

The Board comprised twelve Directors at end of 2023 (eleven as of the end of 2022). Each Director is an eminent professional in his or her respective field and holds the skills and expertise necessary to constructively challenge the Corporate Management and enrich deliberations on matters set before the Board. They fully understand and appreciate the dynamism and complexity of the operations of the Bank, its subsidiaries, and its associate, particularly in the wake of emerging global developments threatening to challenge conventional business models. Ten of the Directors (nine as of the end of 2022) are Independent Non-Executive Directors (INEDs), ensuring a higher degree of autonomy. Directors act in the best interest of the shareholders, avoiding any conflicts of interest.

Diversity and inclusion (Principle A.10.1)

Diversity and inclusion go hand in hand at the Bank, with a wide array of diverse people and voices being inclusively heard in the working environment, all towards the overall progress of the Bank.

The Board of Directors mirrors this diversity and inclusion with expertise in accounting, banking and finance, economics, law, agriculture and chemical industry, engineering, information technology, risk management, manufacturing, healthcare, insurance, logistics, plantations, renewable power, and international capital markets. Having risen to the highest echelons of Government institutions or private sector organisations, they bring their independent judgement to bear on matters reserved for the Board. Bringing together banking, entrepreneurial,

investor, and regulatory perspectives, the Board is able to explore matters from diverse points of view to facilitate long-term value creation. The Company Secretary assists the Board in discharging its responsibilities.

The diversity in the Board's composition has enabled it to bring a unique perspective to the Boardroom, enhancing dynamics and effectiveness while promoting a healthy and constructive exchange of views, leaving no room for groupthink.  Refer composition of the Board on page 183.

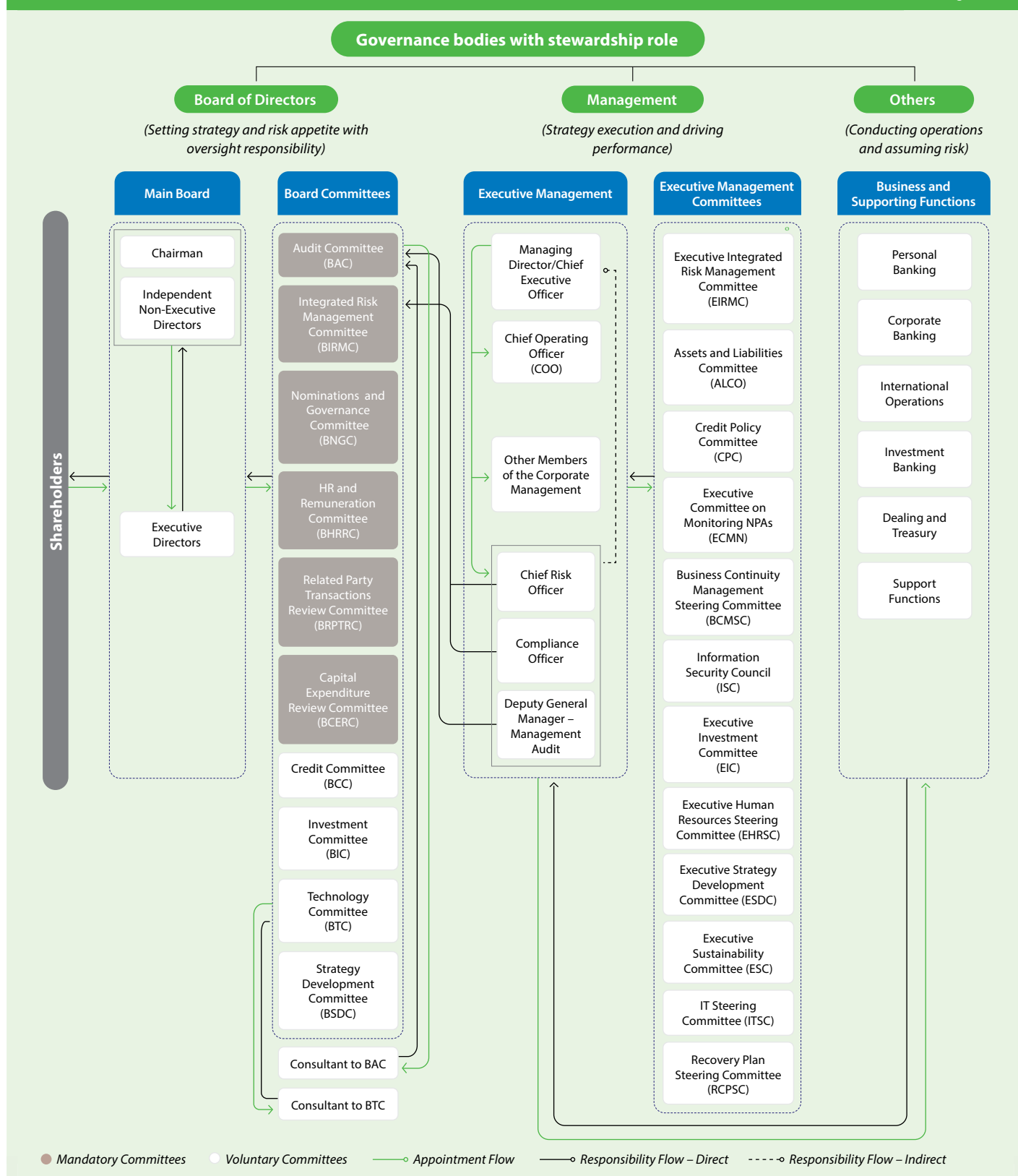
The profiles of the Board members which include the qualifications, memberships in Board Committees, and both current and previous significant appointments as well as the profile of the Company Secretary are given on  pages 162 to 167.

Board process (Principles A.1.3, A.1.4, A.1.6, A.1.7, A.3.1 and A.6)

Minutes of deliberations and decisions made at Board and Board Committee meetings are maintained in sufficient detail. If the need arises, members of Corporate Management are invited to make presentations to the Board on the performance of areas coming under their purview. Members of the Board are also allowed to seek independent professional advice, if necessary, at the Bank's expense. The Bank has also obtained a Directors' and Officers' Liability Insurance Policy, affording them protection against any allegations in the conduct of their duties.

Governance structure

Figure – 40



Conflicts of interest (Principles A.5.5 and A.10.1)

The Bank has a meticulous system in place to avoid conflict of interest. At an individual level, members of the Board declare a situation of conflicts of interest and withdraw from participating in deliberations on/ exercising influence over matters where conflict or the appearance of conflict of interest arises. The actions are appropriately minuted for future reference. In addition, the affiliations and transactions of Directors are regularly reviewed to ensure that there are no conflicts or relationships that might impair Directors' independence. The Board-approved Related Party Transactions Policy of the Bank sets out the procedure to be adopted in granting accommodation to the Directors, their close family members, and entities in which the Directors hold directorships, as permitted by the rules and regulations of the CBSL and within the terms and conditions such facilities are provided to other customers of the Bank. Such facilities, if any, are reviewed and recommended by the Board Credit Committee (BCC) and are submitted to the Board for approval. Once approved, details of such facilities are tabled at the next scheduled meetings of the Related Party Transactions Review Committee (BRPTRC) for information. The section on 'Directors' Interest in Contracts with the Bank' on page 230 discloses the details of transactions carried out in the ordinary course of business on an arm's length basis with entities where the Bank's Chairman or Directors serve as the Chairman or as a Director in another entity, while Note 62 to the Financial Statements on pages 384 to 388 includes information on "Related Party Disclosures". At the point of joining and quarterly thereafter, the Directors declare their interests, and the necessary procedures in place to ensure that there are no conflicts of interest that will compromise the independence of members. A register of such declared interests is maintained by the Company Secretary and is available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007 and amendments thereto.

Board meetings (Principles A.1.1 and A.10.1)

In the year 2023, the Board held fourteen (14) scheduled meetings (fifteen in 2022) of which one meeting (one meeting in 2022) was allocated exclusively to deliberations on Corporate Plan 2024 – 2028 and Budget 2024, with the members of the Corporate Management being present. Twelve (12) meetings (thirteen meetings in 2022) were

devoted to review and deliberate on matters including the following;

- Financial and operating results against the budgeted KPIs and previous periods
- Risk factors affecting financial and operating results and the risk mitigants
- Extent of compliance with the mandatory and voluntary requirements and corrective measures for any instances of non-compliance, if any
- The revised budget for 2023
- Lapses in internal controls and corrective measures taken
- Frauds reported, investigation outcomes and follow up on actions taken
- Minutes of Board committees
- Share transactions by staff members in Assistant Manager and above grades
- ESG and wider sustainability related risks and opportunities
- Cyber security related risks, risk mitigants, compliance reports from independent third parties etc., for priority 1 systems in particular
- Scope of the Recovery Plan (RCP) and recovery options identified to restore normalcy in a crisis or high stress situation
- Stage movements of Non-Performing Credit Facilities and recovery actions taken
- Updates on strategy implementation
- Investment strategies

Subsequent to the election/re-election of Directors at the Fifty-fourth Annual General Meeting (AGM) held on March 30, 2023, in place of those who retired by rotation, a Board Meeting was held on March 30, 2023 to review and revise the composition of the Board Committees.

Figure 41 on page 183 provides details of attendance at Board meetings including membership status, mode of attendance, positions held by the Board members in Board committees, and the tenure on the Board.

Such meetings are seen to provide an effective forum for discharging the oversight responsibility of the Board. With the Covid-19 pandemic no longer classified as a public health emergency, the Board meetings transitioned back to physical format during the year. However, in adherence to safety protocols and to accommodate members residing or traveling overseas, as well as those facing unavoidable circumstances, virtual attendance options were made available. This hybrid approach ensured that all Board members could actively participate in the meetings, whether in person or remotely, facilitating continued collaboration and decision-making in a safe and inclusive manner.

The Board continued to play an active role in strategy formulation, providing directions to the Corporate Management for the preparation of the Bank's five-year strategic plan spanning 2024-2028. This plan was then reviewed and approved at a meeting specifically convened for this purpose, in December 2023. The meeting saw members of the Corporate Management present plans on areas coming under their purview, and extensive deliberations were made on said presentations, with the Board exploring and evaluating alternative strategies prior to the approval and allocation of resources for execution of the same.

The Board continued to give prominence to liquidity and capital management, higher credit losses necessitated for foreign currency-denominated Government securities consequent to the downgrade of the country's sovereign rating in April 2022, and the subsequent announcement made by the Government to restructure foreign currency debt, deteriorating credit quality, and increasing tax burden, all in a bid to support growth and ensure sustainable value creation. One of the regular items on the agenda at the monthly Board meetings is to review performance against the strategic plans, allocating sufficient attention and time to review the progress and to identify areas of concern requiring further attention by the Board. In addition, the Board heightened its attention on credit quality, closely monitored exposures to risk-elevated industries, reviewed the appropriateness of the impairment methodology, monitored movements in staging of exposures, and sought to resolve distressed credit facilities. Further, the Board diligently addressed ESG and wider sustainability-related risks and opportunities, as well as cybersecurity risks and mitigation measures, alongside reports of security breaches, demonstrating their commitment to comprehensive risk management.

Furthermore, through periodic presentations made by the respective Chief Executive Officers and/or Managing Directors, the Board also reviewed the performance and future plans of the subsidiaries of the Bank. The Board reviewed and approved the updated policies and procedures in response to various new directions from the CBSL, including Directions No. 13 of 2021 concerning the classification, recognition, and measurement of credit facilities and Directions No. 14 of 2021 regarding the classification, recognition, and measurement of financial assets other than credit facilities in licensed banks. These directives, effective from January 1, 2022, prompted necessary revisions to ensure compliance and adherence to regulatory standards.

Composition of the Board and attendance

Figure – 41

Name of the Director	Designation	DOA	Age (Years)	Membership Status	Meeting Attendance Eligible to attend/ Attended	Mode of Participation		Board Subcommittee Membership										Tenure on the Board (Years)
						In Person	Virtual	BAC	BIRMC	BNGC	BHRC	BRTRC	BCC	BTC	BIC	BSDC	BCERC	
Prof A K W Jayawardane	Chairman	21/04/2015	63	NED ID	14/14	14	0			C	C	C	C			C		8+
Mr S Muhseen	Deputy Chairman	15/02/2021	48	NED ID	14/14	13	1			M	M		M	C	C	M	C	2+
Mr S C U Manatunge	Executive Director/ Chief Executive Officer	27/07/2018	53	ED NID	14/14	14	0	BI	M	BI	BI	BI	M	M	M	M	BI	5+
Mr L D Niyangoda	Director	26/08/2016	67	NED ID	14/14	12	2		M			M				M		7+
Ms N T M S Cooray	Director	19/09/2016	65	NED ID	14/14	14	0	M					M		M	M	M	7+
Ms J Lee	Director	13/08/2020	56	NED ID	14/14	1	13	M	C	M	M				M	M		3+
Mr R Senanayake	Director	16/09/2020	62	NED ID	14/14	11	3	C	M			M				M		3+
Ms D L T S Wijewardena	Director	31/03/2021	50	NED ID	14/14	13	1	M	M				M					2+
Dr S Selliah	Director	27/04/2022	64	NED ID	14/14	14	0			M	M				M	M	M	1+
Mr S Prabagar	Executive Director/ Chief Operating Officer	12/05/2022	57	ED NID	14/14	12	2	BI	BI			BI	M	M	M		BI	1+
Mr D N L Fernando	Director	07/02/2023	63	NED ID	13/13	13	0	M	M				M					>1
Mr P M Kumarasinghe	Director	12/04/2023	65	NED ID	10/10	10	0		M			M		M				>1

DOA – Date of Appointment, ED – Executive Director, NED – Non - Executive Director, ID – Independent Director, NID – Non - Independent Director

C – Chairman M – Member BI – By Invitation

Composition of the Board (As at December 31, 2023)

Figure – 42

Executive and Non-Executive Directors



Board's gender composition



Board's age composition



Tenure on the Board (Years)



Board of Directors' industry/background experience



Banking and
Management

6



Agriculture and
Chemical

1



Finance, Accounting
and Management

4



Law

1



Medicine, Insurance
and Logistics,
renewable energy

1



Science,
Engineering and IT

2



Risk Management
and International
Capital Markets

4

Board Committees (Principles A.7.1 to A.7.3, A.7.5 & A.7.6, B.2, D.3 to D.5)

Board Committees are appointed both in terms of compulsory requirements and voluntarily. Out of the Ten Board Committees that have been appointed with delegated authority to strengthen governance and to deal with/decide on certain subject-specific and specialised matters, six are mandatory whilst the remaining four are voluntary. Four out of six mandatory Committees have been formed as required by the Direction. The Board Capital Expenditure Review Committee (BCERC) was formed during the year as required by the Banking Act Direction No. 01 of 2023 on "Restrictions on Discretionary Payments of Licensed Banks" while, demonstrating commitment to good governance, the BRPTRC was formed in 2014 by early adoption of the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission (SEC) of Sri Lanka which became mandatory for all listed entities from January 01, 2016 under Rule 7.6 (xvi) of the CSE Listing Rules.

The four voluntary Board Committees have been established considering the business, operational, information technology, and strategy development needs of the Bank as permitted by the Bank's Articles of Association. These Committees hold regular meetings – once a quarter at a minimum. The Board Committees have sought guidance and advice from external consultants on several occasions. Furthermore, each of the Directors served in a minimum of three Committees during the year. The Board of Directors, however, retains responsibility for all Board Committee decisions, thereby ensuring the continuance of good corporate governance.

Important matters arising from the Board Committee meetings were deliberated regularly at the Board meetings for information/approval of the members, and any concerns identified in relation to specialised areas were also referred to them for oversight. The minutes of these meetings, carefully ascertain and record the views and deliberations of the Directors on issues under consideration.

The composition, areas of oversight responsibility under respective mandates, key activities in 2023, and attendance of members at the Board Committee meetings are given in the respective Board Committee reports given on pages 195 to 215.

Executive Management Committee

The Executive Management Committee (EMC) comprises all members of the Corporate Management including the Managing Director/Chief Executive Officer (MD/CEO) and the Chief Operating Officer (COO), who are also the two EDs of the Bank. The primary responsibility of the EMC is to implement strategy – as approved by the Board under the leadership of the MD/CEO – and deliver on the performance objectives while ensuring that the risks undertaken by the Bank are within the risk profile approved by the Board. The EMC has several responsibilities such as laying down policies, making operational decisions, monitoring financial performance against budgets, reviewing the achievement of strategic goals set for business divisions, allocating capital diligently, monitoring the progress of implementing the Digital Road Map, managing risk, deliberating on human resource development including health and safety, fortifying the compliance function, implementing the Sustainability Framework, solving operational and customer issues and ensuring compliance with all applicable regulatory requirements. Beyond the above functions, the EMC also reviews and deliberates information prior to Board review, thereby ensuring that the Board is provided with all material information in a timely and detailed manner, thus aiding the Board to effectively fulfil their oversight responsibilities as Directors. The EMC meetings are conducted to provide all members with the opportunity to gain a 360° view of the Group's operations. Detailed minutes are recorded by the Secretary of the EMC, which are then submitted to the approval by the MD/CEO for follow up action.

Members of the Corporate Management including the MD/CEO review the operations of the subsidiaries and the associate of the Bank while several members of the Corporate Management have been appointed as Directors of subsidiaries of the Bank to oversee the operations and to safeguard the Bank's interest and ensure a reasonable return thereon. An overview of performance of the subsidiaries and the associate is given on pages 129 to 131 in the Section on "Financial Review" while the Section on "Group Structure" carries a snapshot of all subsidiaries and the associate of the Bank on pages 142 and 143 together with details of Board of Directors of each Company.

The profiles of the members of the Corporate Management with their names, designations, qualifications, and experience are given on pages 170 and 171, while the names of members of the Senior Management related to the Bank's operations in Sri Lanka, Bangladesh, the Maldives, Myanmar, and the subsidiaries in Sri Lanka are given on pages 172 to 176.

Management Committees

In addition to the Board, the Board Committees, and the EMC, several other Management Committees have been established for good governance along subject-specific lines to facilitate decision-making and executing Board-approved strategies. These Management Committees operate under delegated authority from the MD/CEO.

Based on approved Terms of Reference, the Management Committees which are chaired by either the MD/CEO or the COO operate under a structure and a process similar to that of the Board Committees. Detailed minutes are recorded by the Secretary of the respective Committee, which are then submitted to the relevant Board Committees after approval by the MD/CEO. These Committees undertake extensive deliberations, cooperate across departments, and debate on matters considered critical for the Bank's operations as described in the Figure 43 given on pages 185 and 186.

Executive Management committees

Figure – 43

Executive Integrated Risk Management Committee (EIRMC)

Purpose and tasks

Monitors and reviews all risk exposures and risk-related policies and procedures affecting credit, market and operational areas in line with the directives from the BIRMC.

Composition

MD/CEO, COO, and key members of Integrated Risk Management, Personal Banking, Corporate Banking, Treasury, Internal Audit, Compliance, Finance, and Information Security Divisions.

Meeting Frequency: Monthly

Assets and Liabilities Committee (ALCO)

Purpose and tasks

Optimises the Bank's economic goals whilst maintaining liquidity and market risk within the Bank's predetermined risk appetite.

Composition

MD/CEO, COO, and key members of the Treasury, Corporate Banking, Personal Banking, Integrated Risk Management, Marketing, and Finance Divisions.

Meeting Frequency: Fortnightly

Credit Policy Committee (CPC)

Purpose and tasks

Reviews and approves credit policies and procedures pertaining to the effective management of all credit portfolios within the lending strategy of the Bank.

Composition

MD/CEO, COO, and key members of Corporate Banking, Personal Banking, Integrated Risk Management, Internal Audit, Marketing, and Credit Supervision & Recoveries Divisions.

Meeting Frequency: Quarterly

Executive Committee on Monitoring NPAs (ECMN)

Purpose and tasks

Review and monitor the Bank's Non-Performing Loans and Advances (NPAs) above a predetermined threshold to initiate timely corrective actions to prevent/reduce credit losses to the Bank.

Composition

MD/CEO, COO, and key members of the Corporate Banking, Personal Banking, Credit Supervision & Recoveries, and Integrated Risk Management Divisions.

Meeting Frequency: Monthly

Business Continuity Management Steering Committee (BCMSC)

Purpose and tasks

Direct, guide, and oversee the activities of the Business Continuity Plan of the Bank in accordance with the Bank's strategy.

Composition

COO and key members of Human Resources Management, Personal Banking, Corporate Banking, IT, Services, Operations, Integrated Risk Management, and Internal Audit.

Meeting Frequency: Quarterly

Information Security Council (ISC)

Purpose and tasks

Focus continuously on meeting the information security objectives and requirements of the Bank in line with emerging technology and the Bank's Strategy.

Composition

MD/CEO, COO, and key members of Human Resources Management, Services, Operations, IT, and Information Security Divisions.

Meeting Frequency: Monthly

Executive Investment Committee (EIC)

Purpose and tasks

Oversee investment activities by guiding the management on significant investment decisions and review performance.

Composition

MD/CEO, COO, and key members of Corporate and Personal Banking, Investment Banking, Treasury, Finance, and Planning Divisions.

Meeting Frequency: Quarterly

Executive Human Resources Steering Committee (EHRSC)

Purpose and tasks

Set guidelines and policies on matters that may affect the Human Resource Management of the Bank and make recommendations on policy matters to the BHRRC and/or address any issues that may need to be reviewed at the Board level.

Composition

MD/CEO, COO, and key members of Human Resource Management, Personal Banking, Corporate Banking, Marketing, Finance, and Treasury Divisions.

Meeting Frequency: Quarterly

Executive Strategy Development Committee (ESDC)

Purpose and tasks

Formulate strategies geared for the sustainable development of the Bank based on overall insights provided by the BSDC, and monitor the implementation of the approved strategic plan and the progress made towards strategic milestones and goals.

Composition

MD/CEO, COO, and key members of Personal Banking, Corporate Banking, Treasury, Human Resource Management, Marketing, Finance, and Planning Divisions.

Meeting Frequency: Quarterly

Executive Sustainability Committee (ESC)	IT Steering Committee (ITSC)	Recovery Plan Steering Committee (RCPSC)
Purpose and tasks To help advance the Sustainability agenda and performance of the Bank, directing Banks' activities to be in line with the regulatory requirements of the CBSL on Sustainable Finance Roadmap and Principles of the Sri Lanka Banks' Association sustainable banking voluntary initiatives, while assisting the Board to oversee and approve the implementation of sustainable policies, objectives and targets. Composition MD/CEO, COO, and key members of Integrated Risk Management, Services, Corporate Banking, Personal Banking, Investment Banking, Human Resource Management, and Retail Banking & Marketing. Meeting Frequency: Bi-annually	Purpose and tasks Assist the Management Committee and the Board of Directors to fulfil its overseeing responsibilities with respect to the overall role of technology, in executing the business strategy of the Bank including but not limited to, major technology investment, technology strategy, operational performance and technology trends that may affect future banking. Composition COO, and key members of Corporate Banking, Personal Banking, Treasury, Human Resource Management, Integrated Risk Management, Retail Banking & Marketing, Management Audit, IT, Services and Operations. Meeting Frequency: Monthly	Purpose and tasks Exercises the powers and authority entrusted by the Board/Corporate Management with respect to formulating, maintaining, regularly reviewing, executing, coordinating, activating the Bank's recovery plan to deal with shocks to capital, liquidity and all other aspects that may arise from institution-specific market wide stresses. Composition COO, and key members of planning, Integrated Risk Management, Finance, Corporate Banking, Personal Banking, Treasury, Human Resource Management, Marketing, Management Audit, Compliance, IT, and Operations. Meeting Frequency: Quarterly

Roles, responsibilities, and powers of the Board (Principles A.1.2 to 1.7)

The role of the Board of Directors and their responsibilities are set out in the Board Charter, which includes a schedule of powers reserved for the Board as detailed below:

Role of the Board

- To represent and serve the interests of shareholders by overseeing and appraising the Bank's strategies, policies, and performance
- To provide leadership and guidance to the Management for the execution of strategies
- To optimise performance and build sustainable value for the shareholders and other stakeholders in accordance with the regulatory framework and internal policies
- To ensure that an appropriate governance framework is in place
- To ensure regulators are apprised of the Bank's performance and any major developments
- To review the performance of the key business units against the goals and objectives at regular intervals

Key responsibilities

- Setting strategic direction and monitoring its effective implementation
- Ensuring effective systems are in place to secure integrity of information, risk management, internal control, cyber security, business continuity and compliance
- Ensuring the integrity of the financial reporting process
- Ensuring that appropriate corporate governance structure, policies, and framework are in place for compliance with laws, regulations and ethical standards
- Strengthening the safety and soundness of the Bank
- Reviewing the performance of the Bank and the Group companies
- Selecting, appointing, and evaluating the performance of the MD/CEO
- Appointing the Chair, members to the Board of Directors to fill casual vacancies
- Appointing members of the Corporate Management of the Bank who possess required skills and experience and knowledge to implement the strategy while ensuring succession plan
- Understanding the criticality of cyber risks and taking steps to mitigate them
- Ensuring the availability of an ICT Road map and monitoring diligent execution of same

- Recognising importance of ESG and wider sustainability concerns and aligning the Bank's strategy therewith to ensure long term value creation
- Appointing and overseeing the External Auditors' Responsibilities
- Approving Interim and Annual Financial Statements for publication

Powers reserved for the Board

- Approving Corporate Plan and Budgets which include major capital expenditure, acquisitions, and divestitures, and monitoring capital management
- Appointing the Board Secretary in accordance with Section 43 of the Banking Act No. 30 of 1988
- Establishing and appointing members to Board Committees and evaluation of the performance of Board Committees
- Seeking professional advice in appropriate circumstances at the Bank's expense
- Reviewing, amending, and approving governance structures and policies

Board's role in risk management (Principle D.2 and D.4)

Risk management is key to the long-term sustainability of the Bank. The Board, as the highest decision-making authority in the Bank, is responsible for implementing an effective risk management mechanism across the Group. With the support of the

BIRMC, the Board has devised an effective risk management framework that sets the risk appetite and tolerance limits, facilitating monitoring of the risk profile on a regular basis through risk reports submitted to the Board. Risk management has continued to be one of the key and regular items on the agenda of Board and relevant Board Committees meetings. Clarifications were sought from the respective members of the Management for any deviations from

the agreed risk profile and necessary guidance was given for taking mitigatory action. Further, risks related to the business strategies were carefully reviewed at a special Board meeting held to review the Budget for the year 2024 and deliberate on the strategic plan 2024-2028 (Refer Risk Governance and Management on pages 232 to 258 for further details).

Board Highlights 2023

Figure – 44

- Approval/recommendation of a First and Final dividend for the year ended December 31, 2022 of Rs.4.50 per share, constituting a total sum of Rs.5,579,001,211.50, distributed by way of the allotment and issue of new shares.
- Conducted the Annual General Meeting as a physical meeting.
- Approval/recommendation to issue and allot up to One Hundred and Twenty Million (120,000,000) fully paid, Basel III Compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-viability Conversion feature at a par value of Rs.100/- each for tenures of 5 years, 7 years, and 10 years.
- Approval/recommendation to launch the Employee Share Option Plan 2023 (ESOP) covering executive officers falling under the categories of Assistant Manager and above.
- Conducted an Extraordinary General Meeting to obtain approval for the debenture issue 2023 and ESOP 2023 in the form of a physical meeting.
- Two new Independent / Non-Executive Directors were appointed to further strengthen the Board.
- Reviewed the Composition of Board and Board Committees, respective Committee Charters and Terms of Reference.
- Approval for the Bank to seek required regulatory approvals to commence Offshore Banking activities within the Colombo Port City.
- Approval for the establishment of the Board Capital Expenditure Review Committee (BCERC) in compliance with the directives outlined in the Banking Act Direction No. 01 of 2023 dated February 2, 2023.
- Approval for the Bank to enter into an exclusive long term referral partnership with AIA Insurance Lanka Limited (the “Insurer”) in respect of the long term life insurance products of the Insurer.
- Approval for the Bank to execute the Collective Agreement for 2024 - 2026 with the Ceylon Bank Employees Union – Commercial Bank Branch.
- Conducted a training programme on Information Security Awareness for the Board of Directors by an external resource person.
- Reviewed all major policy documents of the Bank and approved new policies on Green Finance, Data Governance and Non-Audit Services Provided by the External Auditor.
- Annual strategy meeting with the Corporate Management Team.
- Based on recommendations made by the Board Nominations and Governance Committee (formerly known as the Board Nomination Committee), the Board approved the appointment of four senior officers to the Assistant General Manager grade and the promotion of one Assistant General Manager to the Deputy General Manager Grade.

Segregation of roles of Chairman and Chief Executive Officer (Principles A.2 and A.3)

The positions of the Chairman and the Chief Executive Officer (CEO) who is also the Managing Director are separated, to facilitate the balance of power and authority, and to adhere to the CSE Listing Rules on Corporate Governance. The Chairman is a NEID while the CEO is an ED appointed by the Board. Their respective roles are clearly set out in an approved Board paper and the Board Charter of the Bank.

Accordingly, as set out in the said Board paper and the Board Charter, a clear and effective separation of accountability and responsibility has made the role of the Chairman distinctive. By providing leadership to the Board, preserving order, and facilitating the effective discharge of its duties, the Chairman promotes good corporate governance and the highest standards of integrity, and probity throughout the Group. He ensures that the Board receives all information necessary for making informed decisions in discharging its responsibilities. The Chairman also ensures that a balance of power is maintained between executive and non-executive Directors and the Board is in full control of the Bank's affairs and is alert to its obligations to all stakeholders. Furthermore, he also ensures the effective participation of all Directors in Board deliberations by both EDs and NEDs and maintains open lines of communication with members of the Corporate Management, providing an effective platform for deliberating strategic and operational matters.

On the other hand, the role of the MD/CEO, as set out in the Board Charter, is to conduct the management functions as directed by the Board. The corporate objectives and the boundaries of his authority as the MD/CEO are set by the Board, while his duties and responsibilities are jointly developed.

The MD/CEO leads the Management team in the day-to-day operations and ensures the implementation of strategies, plans, and budgets approved by the Board. He also conducts the affairs of the Group, upholding good corporate governance, and the highest standards of integrity and probity as established by the Board.

While they have separate functions, the Chairman and the MD/CEO meet regularly to set the Board agenda, deliberate on current and future developments, and discuss any material issues impacting the Bank, thereby working together toward the Bank's overall progress.

Role of Independent Non-Executive Directors (Principles A.3.1, A.5, and A.5.1)

The Bank has a strong element of independence on the Board, with ten out of the twelve Directors as at December 31, 2023 being independent NEDs. The only connection of the independent Directors with the Bank and with other Companies in the Group is their directorships, thereby ensuring that their judgement is unlikely to be influenced by external considerations. The presence of independent NEDs is expected to complement the skills and experience of the other Board members through the independent NEDs conveying an objective and independent view on matters, using their expertise to challenge the Board and the Management constructively, and by assisting in guiding the strategy.

Role of the Company Secretary (Principle A.1.4)

The Company Secretary plays a vital role in facilitating good Corporate Governance. His responsibilities encompass activities relating to Board meetings, general meetings, Articles of Association, reports, accounts and documentation, Corporate Governance, and Stock Exchange requirements. Primary responsibilities include:

- Assisting the Chairman in conducting the Board Meetings, AGMs, and EGMs in accordance with the Articles of Association, the Board Charter, and relevant legislation
- Maintaining minutes of meetings and statutory registers, and filing statutory returns on time
- Monitoring all Board Committees to ensure they are properly constituted and have clearly defined Terms of Reference
- Facilitating best practices of Corporate Governance including assisting the Directors with their duties and responsibilities
- Facilitating access to legal and independent professional advice in consultation with the Board, where necessary
- Ensuring the Bank complies with its Articles of Association incorporating the required amendments, following proper procedure
- Coordinating the publication and distribution of the Bank's Annual Reports and Accounts and interim financial statements, and preparing the Directors' Report
- Monitoring and ensuring compliance with Listing Rules including required

disclosure on related parties and related party transactions, and maintaining cordial relationships with the CSE, share, and debenture holders

- Communicating promptly with the regulators

The appointment and removal of the Company Secretary are done by the Board.

Appointments and retirements/resignations of Directors (Principle A.7)

The appointment of new Directors is based on an annual assessment of the combined knowledge, experience, and diversity of the Board including gender, age and any other factors relevant to the industry, with new Directors chosen on their ability to bring added perspective and ensure the continued effectiveness of the Bank's strategic plans. Accordingly, the nomination of candidates for appointment as Directors takes place under a formal and transparent procedure formulated by the BNGC. The resumés of potential candidates are carefully evaluated by the BNGC prior to them being recommended to the Board for their consideration as NEDs. Such nominations may also include an interview with the candidate. Members of the BNGC do not participate in decision making relating to their own appointment/reappointment and the Chairman of the Board should not chair the Committee when it is dealing with the appointment of his/her successor.

A similar process is followed when appointing EDs, with the exception of when candidates are selected from the Corporate Management of the Bank. The committee should ensure that there is a succession plan for the CEO and for all KMPs and determine the training and development requirements for those identified for succession.

As required by the Listing Rules, appointments of new Directors to the Board are promptly communicated to the CSE through announcements, subsequent to obtaining approval from the CBSL for their fitness and propriety. The announcements typically include a brief resumé of new Directors, relevant expertise, key appointments, shareholdings, the names of companies in which the new director holds directorships or memberships in board committees and status of independence. In addition, all the staff members of the Bank are informed of any new appointments to/resignations and retirements from the Board as well as the appointment of Directors to the positions of the Chairman and the Deputy Chairman via internal circulars.

During the year under review, there were two new additions to the Board of Directors and one retirement from the Board, the details of which are given in Figure 41 titled *Composition of the Board and Attendance* on page 183. There were no resignations of Directors during the year ended December 31, 2023.

The required details on retirements of Directors were promptly communicated to the CSE as required by the Listing Rules.

Re-election/election of Directors (Principle A.8 and A.9.3)

The Articles of Association of the Bank state that the two longest-serving NEDs must offer themselves for re-election at each AGM in rotation, with the period of service being considered from the last date of re-election or appointment. If two or more Directors qualify for re-election in a particular year, the Directors may decide amongst themselves, either by considering the affidavits and declarations submitted by them and all other relevant issues or by drawing lots to determine which Directors will offer themselves for re-election. Accordingly, Mr S Muhseen and Mr R Senanayake, the two longest-serving Directors since their last re-election will be seeking re-election at the forthcoming AGM to be held on March 28, 2024. Having reviewed the participation, contribution and engagement of Mr S Muhseen and Mr R Senanayake and the recommendation made by the Board Nominations and Governance Committee, the Board approved them to seek re-election. In addition to the above, if a Director has been appointed as a result of a casual vacancy that has arisen since the previous AGM, that Director will also offer himself/herself for election at the immediately succeeding AGM. Accordingly, Mr P M Kumarasinghe who was appointed to the Board in April 2023 to fill a casual vacancy will offer himself for re-election at the forthcoming AGM.

Induction and training of Directors (Principle A.1.8)

On appointment, Directors are provided with an induction pack that outlines the main areas that require familiarisation. The induction pack includes the Articles of Association, the Banking Act Directions, the Corporate Directors' Handbook published by the Sri Lanka Institute of Directors, the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka,

the Bank's organisational structure, copies of the approved Board Charter and the Board Related Party Transactions Policy, and a copy of the most recent Annual Report of the Bank. They are also given access to the electronic support system which has archived minutes of meetings held over the past eleven years. All Directors are encouraged to obtain membership in the Sri Lanka Institute of Directors which conducts useful programmes to support Directors. Furthermore, it is mandatory for Directors to attend Director Forums organised by the CBSL. As additional support, members of the Corporate Management and external experts make regular presentations on the business environment in relation to the operations of the Bank, which enables newly appointed Directors to get familiarise themselves with the banking operations.

In addition, the Management makes presentations to the Board on Sustainability related initiatives and developments of the Bank, particularly at the Annual Corporate Plan meeting.

Remuneration and Benefits Policy
The Remuneration and Benefits Policy seeks to provide a distinctive value proposition to current and prospective employees to attract and retain employees with the skills and values that are in line with the business needs of the Bank. The Policy also provides a framework for the Bank to design, administer, and evaluate effective reward programmes, thereby inspiring and motivating desired behaviours, and enabling proper alignment of remuneration with the long-term success of the Bank.

Directors' and Executive remuneration (Principles A.10, B.1 and B.3)

The Bank has a number of processes in place to ensure that no individual Director is involved in determining his or her remuneration but is instead part of a larger deciding process that makes final decisions. Primarily, the BHRRC - which consists entirely of NEDs who also meet the criteria for independence as set out in the relevant regulations on corporate governance is responsible for making recommendations to the Board regarding the remuneration of the Directors and executives. The BHRRC in consultation with the MD/CEO and after obtaining professional advice, where necessary, makes such recommendations.

Remuneration for Directors and executives is further set out with reference to the Remuneration and Benefit Policy of the Bank. The remuneration for NEDs is set by the Board as a whole. In order to provide fair judgements when discharging their duties on remuneration, the Board and the BHRRC engage the services of HR professionals on a regular basis as well.

The aggregate remuneration paid to EDs and NEDs is given on Note 62.2.1 to the Financial Statements on page 384 and the number and aggregate remuneration of the senior management personnel reporting directly to the MD/CEO including that of the MD/CEO ('the Corporate Management') is given under item B.3.2 in Annex 1.2 on Compliance with Code of Best Practice on Corporate Governance on pages 434 and 438.

Remuneration Committee (Principle B.2)

It is the responsibility of the BHRRC to ensure that the remuneration of both EDs and NEDs is sufficient to attract eminent professionals to the Board and retain them to drive the performance of the Bank. The Bank has remuneration policies that are attractive, motivating, and capable of retaining high-performing, qualified, and experienced employees.

With the assistance of professionals, the BHRRC structures the remuneration packages and benchmarks them with the market on a regular basis to ensure that total remuneration levels remain competitive to attract and retain key talent whilst balancing the interests of the shareholders. The total remuneration of EDs and other members of the Corporate Management includes three components - guaranteed remuneration (the fixed component), annual performance bonus (a variable component), and the ESOP (a variable component). Special emphasis is paid to making the basis of granting ESOPs and their features transparent, prior to seeking approval from the shareholders.

As elaborated under Principles A.9 and A.11 below, the Committee reviews annually the performance of the CEO and EDs against the set targets and goals, which have been approved by the Board, and recommend the basis for revising the remuneration, benefits and other payments of performance based incentives.

Guaranteed remuneration comprises the monthly salary and allowances determined with due reference to the qualifications, experience, levels of competencies, skills, roles, and responsibilities of each employee. These are reviewed annually and adjusted

for factors such as promotions, performance, and inflation. The annual performance bonus is based on the degree of achievement on a multi-layered performance criteria matrix which is clearly communicated to the relevant category of employees at the beginning of each year. The Bank maintains a regular dialogue and consults when necessary its two employee associations – the Association of Commercial Bank Executives and the Ceylon Bank Employees' Union (CBEU). In early January 2024, the Bank signed the Collective Agreement with the CBEU covering a three-year period from 2024–2026, after extensive but very cordial deliberations.

With a view to motivate employees to commit to long-term value creation, improve overall performance, and increase staff retention while raising equity funding, the Bank has structured many Employee Share Option Plans (ESOPs) since 1997. This entitles the eligible employees to buy a fixed number of shares at a price to be determined based on the pre-agreed formula over the vesting period. The Bank has duly obtained the approval of shareholders for all these ESOPs at Extraordinary General Meetings. The EDs, being employees of the Bank, are also eligible for these ESOPs. Approval for the ESOP vested during the year was obtained from the Board after obtaining a recommendation for the same from the BAC.

Details of the ESOPs and the eligibility criteria are given in Note 52 to the Financial Statements on "Share-based Payment" on pages 371 and 372.

While employment contracts do not contain any commitments for compensation or early terminations, there were no instances of early termination during the year that required compensation.

Board and Board Committee evaluations (Principle A.9)

As set out in the Direction, the Code, and the other applicable regulations, the Board and the Board Committees annually appraise their own performance as well as the Board and the Committees as a whole to ensure that they are discharging their responsibilities satisfactorily in accordance with the Board Charter. This process requires each Director to fill out Board / Board Committee Performance Evaluation Forms incorporating relevant criteria specified in the Board Performance Evaluation Checklist of the Code. The responses are then collated by the Company Secretary and submitted to the BNGC for consideration. These are subsequently

discussed at a Board meeting. Further, NEDs evaluate and approve the performance of EDs as recommended by the BHRRC. Board evaluations for 2022 and 2023 were taken up at the Board Meetings held in February 2023 and February 2024, respectively.

Evaluation of the NEDs to be carried out individually by the EDs and the Chairman and evaluation of EDs should be carried out individually by the Chairman and NEDs will be formalised in 2024.

The BHRRC carries out a 360° appraisal of the EDs and other Key Management Personnel annually. The collective outcome is compiled and made available to the Board, which considers the results of the evaluation and makes recommendation on initiatives and actions required to improve the balance of skills, experience, independence, industry and company knowledge, training of Directors, governance processes, strategy review and other factors relevant to its effectiveness.

Appraisal of the Chief Executive Officer (Principle A.11)

With the assistance of the BHRRC, the Board assesses the performance of the Chief Executive Officer annually. This assessment is based on criteria agreed upon at the beginning of each year and consists of short, medium, and long-term objectives with financial and non-financial targets whilst also considering the changes in the operating environment. The Chairman discusses the evaluation with the Chief Executive Officer and provides him with formal feedback. The Chief Executive Officer's responses to the appraisal are given due consideration prior to it being approved. This exercise is finalised within three months from the financial year end.

Shareholder engagement and voting (Principles C.1, C.2, E, and F)

The Bank actively engages with shareholders and potential investors as an aspect of good corporate governance and has established a structured process to facilitate the same. The Board-approved Shareholder Communication Policy is in place to ensure effective and timely communication of material matters to shareholders. The Bank maintains several communication channels with the shareholders which include the Annual Report, AGMs and EGMs, Interim Financial Statements, announcements to the CSE, press releases, the Bank's website, shareholder surveys on a need basis, and the investor

feedback form given in the Annual Report (Refer Table 03 on pages 40 and 41 on "How we connect with our stakeholders" for more details in this regard).

During the year, shareholders were notified – either through announcements made to the CSE or via media – about the following;

- Dividend declaration for 2022
- Annual financial statements for 2022
- Interim financial statements for 2023
- Disclosure on Fitch Ratings Preview
- Appointments and retirements of Directors
- The listing of shares issued as a part of the final dividend for 2022
- Date of the Annual General Meeting 2024
- Dealings in shares of the Bank by Directors and related entities
- Basel III compliant convertible debenture issue
- The Extraordinary General Meeting for the Basel III compliant convertible debenture issue and the ESOP 2023
- The Corporate Disclosure made on the mutually beneficial referral partnership entered into with AIA Insurance Lanka Limited.

The Bank's website was updated with new value-added features during the year and has a dedicated page for investors, 'Investor Relations' for investors which include interim financial statements and annual reports. The Bank's Annual Report is offered in both PDF and interactive formats, providing readers with a choice for viewing. The interactive report also features a tab for investor feedback. The Board is fully committed to treating all shareholders equitably while recognising, protecting, and facilitating their rights through open communication. The Bank arranged to publish the interim and annual financial statements in the newspapers in all three mediums within statutory deadlines as per the Directions issued by the CBSL, and also submitted interim and annual financial statements to the CSE within the stipulated timeframes in terms of the Listing Rule No. 7.4 of the CSE. In addition, the Bank issues commentaries on the interim financial statements in the form of press releases to the media.

The Bank always encourages shareholders to participate in the AGMs and the EGMs and exercise their votes. To this end, the Bank circulates clear instructions on procedures governing voting along with every notice of AGMs/EGMs. Shareholders play a key role in the re-election of Directors and the External Auditor, and vote on all matters for which notice is given including the adoption of the annual report and accounts. A total of 177 Voting and 79 Non-Voting shareholders participated in the Fifty-fourth AGM held

on March 30, 2023, while further 124 Voting shareholders and 33 Non-Voting shareholders exercised their right to vote through proxy.

Shareholder approval was received at an EGM held on October 06, 2023, conducted with the physical attendance of shareholders for issuing Basel III compliant convertible debentures for augmenting Tier II capital and to support future lending growth of the Bank, raising Rs. 12.000 Bn. in Tier II capital

and ESOP 2023. A total of 200 Voting and 74 Non-Voting shareholders (including proxies) representing 80% of the Voting-Shares and 7.14% of the Non-Voting Shares participated in the above EGM.

A tabulation of the details of shareholder attendance at AGMs during the past five years is given below:

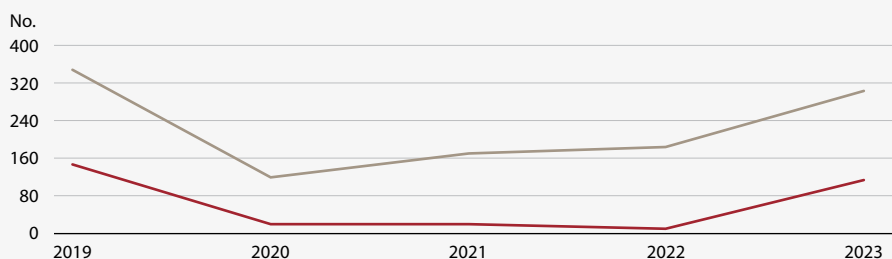
Attendance at AGMs – 2019 to 2023

Table – 44

Year of the AGM	Voting shareholders			Non-voting shareholders		
	Number of Attendees	Shareholding	% of total shareholding	Number of Attendees	Shareholding	% of total shareholding
2023	301	943,963,856	80.87	112	10,962,985	15.11
2022	183	795,203,283	72.33	9	4,197,212	6.17
2021	169	795,052,531	72.32	19	4,326,942	6.36
2020	119	672,118,061	69.92	19	3,132,256	4.72
2019	346	703,703,954	73.21	145	12,048,304	18.18

Graph – 47: Attendance at AGMs

— Number of Attendees Voting shareholders — Number of Attendees Non-voting shareholders



Code of Business Conduct and Ethics (Principle D.6)

The Bank has a Code of Ethics for all employees including the KMPs. The Code of Ethics together with several other Board approved policies address the topics referred to under Principles D.6.1 to D.6.6 as summarised below. The Bank will expand the application of Code of Ethics to include the Board of Directors in 2024.

Principle D.6.1	
Topic	Key policies, documents and guidelines
Conflict of interest	• Code of Ethics • Related Party Transactions Policy
Bribery and corruption	• Anti-Bribery and Anti-Corruption Policy • AML/CFT Policy
Entertainment and gifts	• Gift Policy • Code of Ethics
Accurate accounting and record-keeping	• Financial Statement closure process • Operational Procedure Manual for the Finance Division • Accounts Reconciliation Process and Monitoring of Suspense Accounts of the Bank • Financial and Risk Management Disclosure Policy
Fair and transparent procurement policies	• Procurement policy • Expenditure approval guidelines • Sponsorship Guidelines
Corporate opportunities	• Code of Ethics • HR Policies
Confidentiality	• Information Classification Policy • Data Governance Policy
Fair dealing	• Group Conduct Risk Management Policy
Protection and proper use of company assets including information assets	• Information Security Policy • Risk Management Policies
Sexual harassment, discrimination and abuse	• Code of Ethics • HR Policies
Compliance with laws, rules and regulations (including insider trading laws)	• Group Compliance Policy
Encouraging the reporting of any illegal, fraudulent or unethical behaviour	• Whistleblowers' Charter

Principle D.6.2

Process is in place to identify and report material and price sensitive information.

Principle D.6.3

Process is in place to monitor and disclose shares purchased by any Director, KMP or by an employee in the grade of Assistant Manager and above

Principle D.6.4

Whistleblower's charter
(📖 Refer page 193)

Principle D.6.5

Conduct training on Code of Ethics as part of induction and training of new employees

Principle D.6.6

Process is in place to disseminate policies and conduct training via the Bank's intranet and the e-learning module

Anti-Bribery and Anti-Corruption (Principle D.6.1)

The Bank reviewed and updated the Board-approved Anti-Bribery and Anti-Corruption Policy during the year, which sets out principles for countering bribery and corruption in the Bank. The principles also set out the management of bribery and corruption risk by requiring the Bank, Bank personnel, and defined third parties to commit to countering bribery and corruption in all forms in relation to transactions routed through or involving the Bank.

The Bank has zero tolerance for any form of bribery and corruption and will treat potential instances of bribery or corrupt behaviour as a threat to its integrity and reputation as a business. The Bank developed the Policy in accordance with these commitments as well as in adherence to the applicable laws and regulations to promote a culture of compliance. As set out in this Policy, all employees are responsible for the prevention and mitigation of bribery and corruption within their own roles and responsibilities.

In addition, every single employee of the Bank has been issued with a Code of Ethics containing guidelines that encompass a wide range of aspects, which, inter-alia, include the prevention of insider dealing in securities, outlines the internal rules on the purchase/sale of the Bank's shares, notes down the Gift Policy, highlights how to manage conflicts of interest, provides information on combating financial crimes, and discusses the importance of respecting communities and the environment etc.

The Bank's Anti-bribery and Anti-corruption Policy was reviewed and updated during the year under review to include the fact that "The Bank categorically prohibits the use of Bank funds for the purpose of making or facilitating any political contribution". Accordingly, the Bank explicitly prohibits any form of political contributions.

A detailed discussion is given in the Section on "Sustainable Banking" on page 17.

Group Conduct Risk Management Policy Framework (Principle D.6.1)

The Group Conduct Risk Management Policy Framework which was adopted in 2022 was reviewed and updated with a view to further strengthen risk management and corporate governance by ensuring that the Bank does not engage in any action that harms customers, negatively impacts market stability, and prevents effective competition. It is expected to establish a risk culture that

not only addresses the risk of misconduct but also highlights clear accountability of actions through a preventive approach, by ensuring proper customer onboarding practices and transparency in fees and charges, and avoiding fraudulent activities, insider trading, improper financial advice to customers, mis-selling of financial products, tax avoidance, collusion with financial markets, and inaccurate financial and regulatory disclosures.

Whistleblowing (Principle D.6.4)

The Bank has adopted a Whistleblowers' Charter to deter, detect, and address any genuine concerns of malpractices and unethical behaviour, with the Compliance Officer being appointed to manage the Bank's whistleblowing processes.

In addition, measures have been put in place to protect whistleblowers who act in good faith in the interest of the Bank. The Bank undertakes to maintain the utmost confidentiality of the staff who raise concerns or make serious specific allegations of malpractice or unethical behaviour. In this way, the Bank aims to promote a healthy workplace that practices good governance from the lowest to the highest tiers.

Internet of things and cyber security (Principle G)

The Bank holds certifications in Information Security Management Systems (ISMS) and Payment Card Industry Data Security Standard (PCI DSS), ensuring the confidentiality, integrity, and availability of data. Led by a Chief Information Security Officer (CISO), the Information Security Council oversees security measures, reporting to the BIRMC.

An Information Security Policy (ISP) aligned with ISO/IEC 27001 sets security standards for employees, partners, and external parties, covering various domains. Multiple layers of security controls are implemented, including Security Information and Event Management (SIEM) systems to detect cyber threats.

The Bank conducts an information security awareness program for all staff, utilising classroom sessions, digital platforms, and simulations. Information Security Risk Assessments and technical security assessments are carried out periodically to mitigate cyber risks.

Internal audits, along with external validations by ISO 27001 auditors and Qualified Security Assessors, ensure compliance with security standards. The

Information Security Council and Risk Management Committee receive regular updates on the performance of the ISMS, incidents, audits, and cybersecurity projects. Further discussions on cyber risk management occur during Board meetings.

Refer reports of the BIRMC, BTC and BAC on pages 199 and 200, 211 and 212 and 195 to 198 for further information.

Data Security and Privacy

With the enactment of the Personal Data Protection Act No. 09 of 2022, the regulatory landscape concerning data protection formally came into operation, necessitating strict adherence to new reporting requirements. Under this legislation, any data breaches must be promptly reported to the Data Protection Authority, with guidelines for such reporting expected to be issued by the authority. Despite these regulatory shifts, it is noteworthy that during the period under review, no data breaches were reported relating to account holders, reflecting the Bank's robust data security measures and proactive approach to safeguarding customer information.

In response to the evolving regulatory environment and the heightened importance of data governance, the Board of Directors approved a comprehensive Data Governance Policy in March 2023. This Policy outlines the Bank's commitment to ensuring the responsible and ethical handling of data across all operations. Additionally, during the same period, the Bank issued a Data Processing Procedure, further strengthening its data management framework. These policies and procedures serve as guiding principles for all staff members involved in data processing activities, outlining clear protocols and standards to uphold. Notably, any data processing requests are subject to rigorous review and approval by the designated Data Protection Officer, ensuring adherence to regulatory requirements and best practices in data management.

Sustainability: ESG Risks and Opportunities (Principle H)

The Bank acknowledges that integrating ESG considerations into its strategy and operations not only aligns the Bank with global sustainability goals but also presents opportunities for innovation, risk mitigation, and long-term value creation. Accordingly, by integrating ESG principles into its decision-making processes, the Bank aims to both mitigate risks and capitalise on opportunities stemming from environmental, social,

and governance factors while ensuring compliance with relevant regulations and adapting to evolving stakeholder needs. Utilising internationally recognised frameworks like the Global Reporting Initiative (GRI) standards and International <IR> Framework, the Bank measures and discloses its sustainability performance, fostering transparency and accountability in its pursuit of long-term stakeholder value.

Overall, the Bank's approach to managing ESG risks involves proactive risk management, due diligence, and adherence to responsible lending practices, as well as efforts to minimise its own environmental impact.

Some of the specific initiatives include;

- Adoption of a Sustainability Framework and the establishment of an Executive Sustainability Committee, along with regular risk assessments, to identify and address ESG-related risks
- Implementation of a Social and Environmental Management System (SEMS) based on the International Finance Corporation (IFC) Performance Standards, which includes policies, procedures, and assessment tools for managing and appraising social and environmental risks.
- Conducting social and environmental due diligence exercises as required and proposes corrective actions for identified significant social and environmental risks. It assesses the social and environmental impacts of its lending activities, including factors such as environmental pollution, hazards to human health and safety, impacts on communities, and threats to biodiversity and cultural heritage.
- Reviewing the social and environmental impacts of its supply chains through supplier selection and evaluation processes. It also assesses the materiality of economic, environmental, social, human rights and product responsibility aspects to its operations and relevant stakeholders.
- Presence of a credit policy and lending guidelines that articulate the Bank's commitment to being a responsible lender by minimising transactions and activities that negatively impact the environment.
- Striving to minimise its own environmental footprint by adopting green processes, moving to green buildings and generating solar energy for its operations.

At the same time, the Bank leverages ESG opportunities by actively incorporating environmental, social, and governance factors into its business strategies and operations. This includes:

- Green Financing: The Bank promotes and provides financial support for sustainable projects and initiatives, such as renewable energy projects, energy-efficient buildings, and environmentally-friendly technologies. By offering green loans and leases, the Bank encourages clients to adopt sustainable practices.
- Supplier Evaluation: The Bank reviews the social and environmental impacts of its supply chains through supplier selection and evaluation processes. By working with responsible suppliers, the Bank aims to reduce its indirect environmental and social footprint.
- Staff Training and Engagement: The Bank provides training and awareness programs for its staff to enhance their understanding of sustainable finance and ESG principles. This helps to foster a culture of sustainability within the organisation and ensures that employees are equipped to identify and seize ESG opportunities.
- Collaboration and Partnerships: The Bank actively participates in international collaborations, platforms, and partnerships to learn from global best practices and share knowledge on sustainable finance. This enables the Bank to leverage international resources and funding for ESG initiatives.

Board Committee reports

Report of the Board Audit Committee

Composition of the Committee

The composition of the Board Audit Committee (the BAC) during the year under review is given below. Profiles of the members as at December 31, 2023 are given on pages 162 to 167.

Board members and attendance

	Eligible to attend/ attended
Mr R Senanayake* Chairman	09/09
Ms N T M S Cooray* Director	09/09
Ms J Lee* Director	09/09
Ms D L T S Wijewardena* Director	09/09
Mr D N L Fernando * Director (Appointed w.e.f. February 25, 2023)	07/07
Mr K Dharmasiri * Director (Retired w.e.f. January 08, 2023)	00/00

Regular attendees

Mr K D N Buddhipala Chief Financial Officer	09/08
Mr J Premanath Deputy General Manager – Management Audit	09/09
Mr R Mihular (Independent Consultant to the Committee retired w.e.f. March 31, 2023)	02/01
Mr Y Perera (Independent Consultant to the Committee appointed w.e.f. May 01, 2023)	06/06

Representatives of the Bank's External Auditors

Messrs Ernst & Young

Regular attendees by invitation

Mr S C U Manatunge Managing Director/ Chief Executive Officer	09/09
Mr S Prabagar Director/Chief Operating Officer	09/08
Mr S K Hettihamu Chief Risk Officer	
Ms A V P K T Amarasinghe Assistant General Manager – Compliance/Compliance Officer	

Secretary to the Committee

Mr J Premanath Deputy General Manager – Management Audit	

**Independent Non-Executive Director*

The Committee sought and obtained the required assurances from Business Units on the remedial action in respect of the identified risks to maintain the effectiveness of internal control procedures.



Charter of the Committee

The Board approved Charter of the BAC (the Committee) clearly defines the Terms of Reference of the Committee. It is annually reviewed to ensure that new developments relating to the Committee's functions are addressed. The revised CSE rules on Corporate Governance that became effective from October 01, 2023, except to the extent stipulated, were taken into consideration when the Charter of the Committee was last reviewed and approval of the Board was obtained in November 2023.

The Committee assists the Board in discharging its responsibilities and exercises oversight over financial reporting, internal controls and internal/external audits.

The Committee has full access to information, cooperation from Management and discretion to invite any Director or Executive Officer to attend its meetings.

The Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments (hereinafter referred to as the Direction), the Companies Act, the Securities and Exchange Commission Act (SEC), 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 (ICASL) further regulate the composition, role and functions of the Committee.

The Committee is empowered by the Board to:

- Ensure that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities, the Management and other stakeholders.
- Review the appropriateness of accounting policies and ensure adherence to statutory and regulatory compliance requirements and applicable accounting standards.
- Ensure that the Bank adopts and adheres to high standards of corporate governance practices, conforming to the highest ethical standards and good industry practices in the best interest of all stakeholders.
- Evaluate the adequacy, efficiency, and effectiveness of risk management measures, internal controls including information systems controls and governance processes in place to avoid, mitigate, or transfer current and evolving risks.
- Monitor all aspects of Inspections, Information Systems Audit and external audit programme of the Bank and review internal and external audit reports for follow up with the Management on responses to their findings and recommendations.
- Review the Interim and Annual Financial Statements of the Bank in order to monitor the integrity of such Statements prepared for disclosure, prior to submission to the Board.

Activities in 2023

The Committee held nine (09) meetings during the financial year ended December 31, 2023. Proceedings of these meetings with adequate details of matters discussed were regularly reported to the Board.

Representatives of the Bank's External Auditors, Messrs Ernst & Young too participated in all nine (09) meetings during the year. The Committee also invited members of the Senior Management of the Bank to participate in the meetings from time to time on a needs basis.

Reporting of financial position and performance:

The Committee;

- Assisted the Board in its oversight on the preparation of Financial Statements to evidence a true and fair view on financial position and performance. This process is based on the Bank's accounting records and in accordance with the stipulated requirements of the Sri Lanka Accounting Standards. In fulfilling its oversight responsibilities, the Committee reviewed and deliberated on the Interim and Annual Financial Statements of the Bank and the Group, including the acceptability of the accounting principles and the reasonableness of significant estimates and judgement.
- Reviewed the accounting treatment, adequacy of the impairment provision and subsequent measurement of the Sri Lanka Treasury Bonds received in lieu of SLDBs under the Domestic Debt Optimisation programme announced by the Government of Sri Lanka during the year. The Committee also paid close attention to the adequacy of impairment provisioning for SLSBs and Loans and Advances.
- Reviewed and assessed the Bank's ability to continue as a Going Concern and the adequacy of its resources to be in business for the foreseeable future.
- Reviewed competitor analysis of Financial Statements of peer banks on a quarterly basis to draw insights on their performance viz a viz the Bank to recommend any improvements that can be institutionalised.
- Engaged the services of a Consultant to assist it in carrying out its oversight activities and evaluated his performance annually.

- Reviewed the Tax Assessments outstanding and action initiated for follow up for resolution through regular reports submitted by the Chief Financial Officer.
- Assessed the prevailing internal controls including information systems controls, procedures and expressed the view that adequate controls and procedures were in place to provide reasonable assurance to the effect that the Bank's assets including the information assets are safeguarded and the financial position of the Bank is well monitored and accurately reported.

Internal Capital Adequacy Assessment Process (ICAAP):

The Committee reviewed the effectiveness of the internal control mechanism in place to meet the regulatory requirements on ICAAP and the mechanism in place to ensure integrity, accuracy, and reasonableness in capital assessment process of the Bank for the year 2023, as per the Section 10 (in Pillar II – Supervisory Review Process) of the Banking Act Direction No. 01 of 2016 on "Regulatory Framework on Supervisory Review Process".

Oversight on regulatory compliance:

The Committee also ensured that the Bank complies with all regulatory and legal requirements. Closely scrutinised compliance with mandatory banking including other statutory requirements and the systems and procedures that are in place. The quarterly reports submitted by the Assistant General Manager - Compliance were used by the Committee to monitor compliance with all such legal and statutory requirements. The Bank's Inspection Department has been mandated to conduct independent test checks covering all regulatory compliance requirements, as a further monitoring measure.

The Committee monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the Central Bank of Sri Lanka (CBSL) through regular follow-up reports tabled during the year 2023.

Identification of risks and control measures:

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 and that these are being reviewed by the Committee.

The Committee sought and obtained the required assurances from Business Units on the remedial action in respect of the identified risks to maintain the effectiveness of internal control procedures.

The Committee has approved the quarterly reports on Independent Verification of Compliance with the CBSL Direction on "Repurchase and Reverse Repurchase Transactions of DDPs in Scripless Treasury Bonds and Bills".

The Committee reviewed the following operational procedure of the Finance Department and related internal controls:

- Operational procedure manual for the overall process carried out by the Finance Department and related controls, as per the recommendation in the statutory examination report 2022 of the Central Bank of Sri Lanka (CBSL).
- Procedure manual for the Finance Department to ensure the strength and adequacy of the account reconciliation process and monitoring of the Suspense Accounts of the Bank, as per the recommendation in the statutory examination report 2022 of the CBSL.

Revised Whistleblowers' Charter – 2023

As per the recommendation of the CBSL, the Board Audit Committee (BAC) recommended the revised Whistleblowers' Charter for Board approval. BAC ensured that proper arrangements are in place within the whistleblowing process for fair and independent investigations and for appropriate follow-up actions.

Policy on non-audit services provided by the External Auditors of the Bank

The Committee reviewed the Policy on Non-Audit Services provided by the External Auditors of the Bank which was formulated as per the recommendations in the Statutory Examination Report of the CBSL.

Internal audit and inspection:

The Committee;

- Ensured that the internal audit function is independent of the activities it audited and that it was performed with impartiality, proficiency, and due professional care.
- Approved the Inspection/IS Audit Programme for the year 2023 formulated by the Inspection Department and the Information Systems Audit Unit (ISAU). The type and frequency of audits of Business Units are determined based on a risk assessment that provides a systematic approach to prioritise them. The progress and scope of Inspections/IS Audits were dynamically reviewed to ensure that appropriate corrective actions have been taken to manage risks.

Bank's Inspection Department carried out onsite and online inspection of Business Units including four (4) subsidiaries in Sri Lanka and operations in Bangladesh. Overseas subsidiaries namely Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Co. Ltd. were monitored through an on-site/off-site surveillance. With the concurrence of the Board, the Bank continued to engage the services of four (4) firms of Chartered Accountants approved by the CBSL in order to supplement the Bank's Inspection Department in carrying out inspection assignments.

A total of 925 inspection reports of Business Units including the integrated reports of subsidiaries and overseas operations received the attention of the Committee which highlighted the operational deficiencies, risks and recommendations. The Committee evaluated the Bank's system of internal controls and duly reported its findings to the Board.

Major findings of internal investigations with recommendations of the Management were considered and appropriate instructions issued.

- Invited representatives from the audit firms assisting in inspections to make presentations to the Committee on their observations and findings.
- Reviewed findings and recommendations of the ISAU following the conduct of on-site/ off-site audits covering local operations, overseas operations and subsidiaries (Bank and Group), reviews of systems change management activities under the agile approach and verification of compliance with industry standards such as ISO 27001:2013, PCI-DSS, Baseline

Security Standards (BSS), SWIFT CSP to ensure safeguarding of IT assets of the Bank and Group. The Committee ensured that ISAU makes optimal use of Computer Aided Audit Tools and Techniques (CAATTs) and Data Analytic Tools in conducting above assignments. Attention of the Committee was also drawn to contributions made by the ISAU on special assignments such as Bank wide major Hardware/Software upgrades, implementation of ISO 27001:2013 standard for information security, etc.

- Paid attention to significant findings and recommendations relating to key IT Projects including the version upgrade of Core Banking System, Oracle Asset Management System, Server migration of EPT system etc., and also on capitalising of costs associated with internally developed IT applications, establishment of Escrow Arrangements on the critical software used in the Bank.
- Deliberated on ISAU reports relating to monitoring over critical systems/ applications, IT Governance, Cyber Security, Cloud Security, Remote Access Controls, Network Security, API Security, Physical and Logical Access Management, Data Loss Prevention Controls, Endpoint Security, Privileged Access Management, Third Party Service Management, Robotic Process Automation, outdated operating systems and Vulnerability Assessment and Penetration Testing (VA/PT) Process aligning with the Audit Plan.
- Also emphasised on adoption of CBSL Regulatory Framework on Technological Risk Management and Resilience and Data Protection Law by the Bank and observed action being initiated for further strengthening of Information Security.
- Reviewed the controls implemented in OneSumX software solution that was used for Expected Credit Loss (ECL) computation, a transition from the manual to automated computation. Also, provided direction to ensure having a systematic approach to transmit data between core banking and auxiliary systems followed by audit trails and reconciliation processes.
- Reviewed the reports on findings relating to Business Continuity Planning and Disaster Recovery arrangement during the year 2023 including the Role Swap Exercise carried out.

- Reviewed the Internal Audit report on the independent assessment of the degree of compliance with the Banking Act Direction No. 11 of 2007 issued by the CBSL on Corporate Governance and the Code of Best Practice on Corporate Governance issued by the ICASL.
- Reviewed the adequacy and integrity of the Bank's Management Information System (MIS) through internal audit reports to ascertain whether information presented to the Board is "fit for purpose".
- Discussed and noted the contents stated in the Positive Assurance Statement of Risk Management measures tabled by the Chief Risk Officer (CRO).

The Committee members visited eight branches of the Bank during the year and provided their observations and recommendations to the Board and the Management.

External audit:

The role of the Committee with regard to the external audit function of the Bank included:

- Assisting the Board in engaging External Auditors for audit services, in compliance with the provisions of the Direction and agreeing on their remuneration with the approval of the shareholders.
- Monitoring and evaluating the independence, objectivity, and effectiveness of the External Auditor.
- Reviewing non-audit services provided by the Auditors, with a view to ensuring that such functions do not fall within the restricted services and provision of such services will not impair the External Auditor's independence and objectivity.
- Discussing the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors, prior to commencement of the annual audit.
- Discussing all relevant matters arising from the interim and final audits, and any matters the Auditor may wish to discuss, including matters that may need to be discussed in the absence of Key Management Personnel.
- Reviewing the External Auditor's Management Letter and the periodic progress reports with the Management responses thereto.

The Auditors were provided with the opportunity of meeting Non-Executive Directors of the Committee separately, without any Executive Directors being present, to ensure that the Auditors had the opportunity to discuss and express their opinions openly on any matter. It provided the assurance to the Committee that the Management has provided all information and explanations requested by the Auditors, that the Management has not imposed any restrictions on their scope of work and that there had not been any disagreements between the Auditor and the Management.

The Committee reviewed the Auditors' Declaration with regard to their relationships with or interest in the Bank or its subsidiaries, which may reasonably be expected to have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka as applicable. The Committee also reviewed the audit fees and expenses for other services paid and payable to them.

At the conclusion of the audit for the year ended December 31, 2022, the Committee met the Auditors to review their Management Letter before it was submitted to the Board and the CBSL.

The Committee discussed the Audit Plan and the scope of the work proposed to be carried out in connection with the audit for the year ended December 31, 2023 to ensure that audit plan is aligned with the expectations of the Bank prior to commencement of the audit.

The members of the Committee evaluated the Bank's External Auditor, Messrs Ernst & Young covering key areas such as scope and delivery of audit, resources and quality assurance initiatives, during the year 2023.

Mechanism of internal controls:

Sections 3 (8) (ii) (b) and (c) of the Banking Act Direction No. 11 of 2007 stipulate the requirements to be complied with by the Bank to ensure reliability of the financial reporting system in place at the Bank.

The Committee is assisted by the External Auditor and the Inspection Department to closely monitor the procedures designed to maintain an effective internal control mechanism to provide reasonable assurance that this requirement is being complied with.

In addition, the Committee regularly monitored all exceptional items charged to the Income Statement, long outstanding items/balances in the Bank's chart of accounts, credit quality, risk management procedures and adherence to classification of non-performing loans and provisioning requirements specified by the CBSL. The Committee also reviewed the credit monitoring and follow-up procedures and the internal control procedures in place to ensure that necessary controls and mitigating measures are available in respect of newly identified risks.

The Committee reviewed and approved the Directors' Statement on Internal Controls over Financial Reporting for disclosure in the Annual Report.

Governance, Conduct and Ethics:

Through a review of regulatory, external audit, compliance, risk and internal audit reports, the Committee ensured that Management's role over the first and second lines of defence is clearly defined and segregated to fortify good governance. The Committee strongly advocated and strengthened the Internal audit and the Chief Internal Auditor is independent from the management in their reporting lines, also has no management operational decision-making responsibilities, which provides an additional degree of independence and governance.

The Committee continuously emphasised on upholding ethical values of the staff members. In this regard, the Bank has a Code of Ethics, a Whistleblowers' Charter and an Anti-Bribery and Anti-Corruption Policy in place, which ensure and encourage all staff members to be ethical, transparent and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties.

Highest standards of corporate governance and adherence to the Bank's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

Evaluation of the Committee:

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution to the overall performance of the Bank, the Committee has been rated as highly effective.



R Senanayake
Chairman
Board Audit Committee

February 21, 2024

Report of the Board Integrated Risk Management Committee

Composition of the Committee

The composition of the Board Integrated Risk Management Committee (the BIRMC) during the year under review is given below. Profiles of the Members as at December 31, 2023 are given on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ attended
Ms J Lee* Chairperson	05/05
Mr S C U Manatunge Managing Director/ Chief Executive Officer	05/05
Mr L D Niyangoda* Director	05/05
Mr R Senanayake* Director	05/04
Ms D L T S Wijewardena* Director	05/04
Mr D N L Fernando* Director (Appointed as a member w.e.f. February 25, 2023)	05/05
Mr P M Kumarasinghe* Director (Appointed as a member w.e.f. May 04, 2023)	04/04
Dr S Selliah* Director (Resigned from the Committee w.e.f. April 28, 2023)	01/01
Mr K Dharmasiri* Director (Retired w.e.f. January 08, 2023)	00/00

Non-Board Member

Mr S K K Hettihamu
Chief Risk Officer

Regular attendees by invitation

Mr S Prabagar Director/Chief Operating Officer	05/05
Ms A V P K T Amarasinghe Assistant General Manager - Compliance/Compliance Officer	
Mr P K A S K Gunawardhana Chief Information Officer	

Secretary to the Committee

Mr K D N Buddhipala
Chief Financial Officer

**Independent Non-Executive Director*

The Key Risk Indicators (KRIs) designed to monitor the level of specific risks were reviewed regularly, with a view of determining the adequacy of such indicators to serve the intended risk management objectives.



Charter of the Committee

The BIRMC has been established by the Board of Directors, in compliance with the Section 3(6) of the Direction No. 11 of 2007, on "Corporate Governance for Licensed Commercial Banks in Sri Lanka", issued by the Monetary Board of the CBSL under powers vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988. The composition and the scope of work of the Committee are in line with the same, as set out in the BIRMC Charter which was reviewed during December 2022, clearly setting out; the membership, authority, duties and responsibilities of the BIRMC as described in the "Risk Governance and Management" Section of this Annual Report on pages 232 to 258.

The BIRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Bank's risk management framework and activities including; the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the myriad of risks faced by the Bank in its business operations. Duties of the BIRMC include; determining the adequacy and effectiveness of such measures, and ensuring that the actual overall risk profile of the Bank conforms to the desirable risk profile of the Bank, as defined by the Board. Material risk types within specific risks that the Bank may face due to existing risks or forward looking emerging risks that require action to minimise their impacts in future are given special attention.

All key risks such as; Credit, Operational, Market, Liquidity, Information Technology, Strategic, etc. are assessed by the BIRMC regularly through a set of defined risk indicators. The Committee works very closely with the Key Management Personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management. The risk profile of the Bank is communicated to the Board of Directors periodically through the Risk Assessment report following each BIRMC meeting.

Activities in 2023

In discharging the above duties and responsibilities vested on the BIRMC, the Committee reviewed significant risks comprising of Credit, Operational, Market, Liquidity, Information Technology, Strategic, and other Emerging risk categories during the year. The activities carried out by the Committee are appended below;

- As was in the year 2022, the main focus area for the year 2023 was on the deteriorated credit quality level of many industries stemming from a weakened operating climate. Affected sectors and the factors that are within the control of the Bank were carefully evaluated in view of keeping credit quality challenges at bay.
- The business strategy of the Bank was reviewed by the Committee with consideration of the changes in the external economic factors of the country. Amid the decline in interest rates, the Committee steered primacies of the business strategy to optimise growth,

profitability and asset quality. Moreover, amidst the slow growth of the loan book during the year 2023, strategic level decisions were taken to improve the net interest income despite the formidable challenges that prevailed on the liquidity front.

- Approval of parameters and limits set by the Management against various categories of risk (upon ascertaining that they are in accordance with the relevant laws and regulations as well as the desired policy levels stipulated by the Board of Directors) were given attention in light of the multiple stressors driving economic uncertainty.
- The Data Governance Policy Framework was implemented to protect the Bank's data assets, ensuring confidentiality, integrity, and availability in accordance with the Personal Data Protection Act 09 of 2022
- Periodic reports from the Management were reviewed on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures. The reviews covered movements from inherent to residual risk levels which indicate the progress in implementing controls and assessing the effectiveness of measures in addressing the sources of risk.
- Improvements were recommended to the Bank's Risk Management Framework and related policies and procedures as deemed suitable, in consideration of anticipated changes in the economic and business environment, including consideration for emerging risks, legislative or regulatory changes and other factors relevant to the Group's risk profile.
- The Key Risk Indicators (KRIs) designed to monitor the level of specific risks were reviewed regularly, with a view of determining the adequacy of such indicators to serve the intended risk management objectives. Moreover, proactive measures were taken to control risk exposures. The actual results computed monthly were reviewed against each risk indicator and prompt corrective actions were recommended to mitigate the effects of specific risks, in case such risks exceeded the prudent thresholds defined by the Board of Directors.
- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk such as; the Executive Integrated Risk Management Committee, Executive Committee on Monitoring NPLs, Credit Policy Committee, Information Security Council, Asset and Liability Committee, etc. for enhanced effectiveness. Actions initiated by the Senior Management were monitored periodically to verify the effectiveness of the measures taken by these respective Committees.
- Operational efficiency, disruptions to services that lead to customer inconvenience, extended outage of the Bank's payment platforms and controls available when there is increased uptake in digital solutions were deliberated under the new normal business environment that the Bank is facing in the aftermath of the Global Pandemic and other external stress drivers.
- The annual work plans, related strategies, policies and frameworks of the above Committees were reviewed to ensure that these Committees have a sound understanding of their mandates and mechanisms to identify, measure, avoid, mitigate, transfer or manage the risks within the qualitative and quantitative parameters set by the BIRMC.
- Reviewed and approved the Internal Capital Adequacy Assessment Process (ICAAP) results related to Commercial Bank Group entities to ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance.
- Reviewed, approved and oversaw the Bank's Recovery Plan (RCP) framework whilst ensuring that RCP is subject to comprehensive internal audit. Moreover, the Early Warning Indicators/ Trigger events defined in the RCP paper were periodically monitored in order to assess compliance with; regulatory guidelines and Board approved RCP policy parameters.
- Unusual and unprecedented changes experienced by the Bank arising out of socio-economic and geo-political factors that had given rise to extreme market movements, and their impact on the capital and the Bank's performance were reviewed closely by the BIRMC. Mitigatory measures were deliberated accordingly to reduce the impact.
- Monitored the effectiveness and the independence of the risk management function within the Bank and ensured the adequacy of resources deployed for this purpose.

- Reviewed the effectiveness of the compliance function in order to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operation. Increasing regulatory expectations, challenging working conditions and heightened levels of misbehaviour of certain customer segments posed further challenges during the period under review in this front.
- Initiated appropriate action through the Management against failures of the Risk Owners in order to improve the overall effectiveness of the Risk Management of the Bank.
- The risk profiles of the Subsidiaries of the Bank were monitored through periodic review of KRIs and comprehensive annual risk reviews.
- Continually overseeing the Sustainable Banking Initiatives performed by the Bank (through Executive Sustainable Banking Committee) whilst consistently directing the Data Governance Framework of the Bank and periodically evaluating the adequacy of controls deployed with regard to confidentiality, integrity and availability of Data Assets.
- Reviewed the adequacy of the Business Continuity and Disaster Recovery plans of the Bank, in line with the statutory requirements.
- Findings from the bi-annual Risk Control Self-Assessment (RCSA) exercise were reviewed.

During the year under review, the BIRMC held four (04) meetings on quarterly basis and one (01) additional meeting specifically to discuss the Internal Capital Adequacy Assessment process of the Bank.

Proceedings of the Committee meetings which also included activities under its Charter were regularly reported to the Board of Directors.



Ms J Lee
Chairperson
Board Integrated Risk Management Committee

February 21, 2024

Report of the Board Nominations and Governance Committee

Composition of the Committee

The composition of the Board Nominations and Governance Committee (the BNGC) during the year under review, is given below. Profiles of the members as at December 31, 2023, are given on pages 162 to 167.

Board members and attendance

	Eligible to attend/ Attended
Prof A K W Jayawardane* Chairman	04/04
(Appointed as a member w.e.f. December 31, 2020 and appointed as the Chairman of the committee w.e.f. March 10, 2022)	
Mr S Muhseen* Director	04/04
(Appointed as a member w.e.f. March 10, 2022)	
Ms J Lee* Director	04/04
(Appointed as a member w.e.f. August 12, 2020)	
Dr S Selliah* Director	04/04
(Appointed as a member w.e.f. June 29, 2022)	

Attendees by invitation

Mr S C U Manatunge
Managing Director/
Chief Executive Officer

Secretary to the Committee

Mr R A P Rajapaksha
Company Secretary

**Independent Non-Executive Director*

The Committee recommended the Succession Plan and suitable persons to fill vacancies created in the Board, for approval of the Board.



Terms of reference of the Committee

To ensure compliance with Rule 9.11 of the recently revised Listing Rules of the Colombo Stock Exchange (CSE) the Bank proceeded to rename the existing Board Nomination Committee as the "Board Nominations and Governance Committee" with effect from December 20, 2023. The Committee was established to ensure Board's oversight and control over selection of Directors, Chief Executive Officer and Key Management Personnel. The Composition and the scope of work of the Committee are in line with the Terms of Reference of the Committee. The Committee has overall responsibility for making recommendations to the Board on all new appointments and for ensuring that the Board and its Committees have the appropriate balance of skills, experience, independence, diversity and knowledge to enable them to discharge their respective duties and responsibilities effectively. Refer "Diversity and inclusion (Principle A.10.1)" in Annual Corporate Governance Report in page 180 on details on diversity of the Board of Directors of the Bank.

The Committee has an overall responsibility to review and recommend the Corporate Governance Framework of the Bank. Refer Annual Corporate Governance Report on pages 177 to 194 for details on extent of compliance with corporate governance requirements stipulated under the applicable laws and regulations.

Charter of the Committee

The Committee shall;

- review the composition of the Board and its Board Committees and make recommendations for approval by the Board of the membership of Board and Board Committees.
- review the leadership needs of the organisation, both executive and non-executive with a view to ensuring long term sustainability of the organisation to compete effectively in the market place.
- implement a procedure for the appointment and re-appointment of Directors to the Board taking into account factors such as fitness, propriety including qualifications, competencies, independence and relevant statutory provisions and regulations.
- oversee appointment and composition of the Sharia Supervisory Board (SSB or Sharia Board) of the Islamic Banking Unit (IBU).
- implement a procedure for the selection/appointment of Managing Director/Chief Executive Officer, Chief Operating Officer and other Key Management Personnel.
- set the criteria such as qualifications, competencies, experience, independence, conflict of interest and other key attributes required for the eligibility to be considered for the appointment or promotion to the position of Managing Director/Chief Executive Officer, Chief Operating Officer and Key Management Personnel.

- prior to any appointment being made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- consider in respect of the Executive Directors and Key Management Personnel proposals for their appointment or promotion and any proposal for their dismissal or any substantial change in their duties or responsibilities or the terms of their appointment.
- prior to the appointment of a Director ensure that the proposed appointee would disclose any other business interests that may result in a conflict of interest and report any future business interests that could result in a conflict of interest.
- consider and recommend from time to time, the requirements of additional/new expertise for Directors and other Key Management Personnel.
- propose the maximum number of listed Company Board representations which any Director may hold in accordance with relevant statutory provisions and regulations.
- peruse duly completed Affidavits and Declarations of all Directors and Key Management Personnel and recommend same for approval of the Board.
- formulates and regularly review plans for succession for Key Management Personnel, Executive and Non-Executive Directors in the Board and in particular the key roles of Chairman, Chief Executive Officer and Chief Operating Officer, taking into account challenges and opportunities facing the Company and skills needed in the future.
- make recommendations to the Board concerning, suitable candidates for the role of Senior Independent Director in instances where Chairman is not an Independent Director, membership of other Board Committees as appropriate in consultation with the Chairpersons of those Committees and the re-election of Directors at the Annual General Meeting by the Shareholders or the retirement by rotation according to the provisions of the Articles of Association of the Bank.
- review and recommend the overall Corporate Governance framework of the Bank taking into account the Listing Rules of the CSE, other applicable regulatory requirements and industry/international best practices.
- monitor the progress of any relevant Corporate Governance or Regulatory Developments and recommend any actions or changes it considers necessary for Board approval and ensure compliance with existing laws and regulations.
- be authorised to express their independent views when making decisions.
- be authorised by the Board to obtain, at the Bank's expense, outside legal or other professional advice on any matters within its Terms of Reference.
- make recommendations to the Board concerning an indemnity and insurance cover to be taken in respect of all Directors and Key Management Personnel in accordance with the Articles of Association, relevant statutory provisions and regulations.
- invite any member of the Corporate Management, any member of the Bank staff or any external advisers to attend meetings as and when appropriate and necessary.

Activities in 2023

Four (04) Committee meetings were held during the year under review.

The Committee obtained declarations from all Directors through a prescribed format confirming their status of independence. Affidavits signed by each of the Directors through a prescribed format were obtained with the assistance of the Company Secretary to satisfy an annual requirement imposed under a Direction issued by the Central Bank of Sri Lanka (CBSL) and the originals of same were furnished to the Director of Bank Supervision of CBSL to enable the CBSL to re-assess their fitness and propriety.

As provided for in the Articles of Association of the Bank, the Committee recommended retirement by rotation of two Directors and recommended the election of three Directors who were appointed to fill casual vacancies on the Board during the year 2023.

The Committee identified suitable persons to fill vacancies created in the Board upon the retirement of a Director and after carefully evaluating several candidates, recommended the appointment of Mr D N L Fernando and Mr P M Kumarasinghe, PC as new Non- Executive/ Independent Directors to the Board in February and April 2023, respectively. Based on recommendations made by the Committee, the Board approved the appointment of the Assistant General Manager – Treasury. In addition, based on the recommendations of the Committee, the Board also approved the promotion of the Assistant General Manager – Finance to the grade of Deputy General Manager.

The Board approved the Succession Plan in January 2023, as recommended by the Committee.

The Committee continued to work closely with the Board of Directors on matters assigned to it and duties and responsibilities delegated to it in terms of the Committee Terms of Reference and reported back to the Board of Directors with its recommendations.



Prof A K W Jayawardane

Chairman

Board Nominations and Governance Committee

February 21, 2024

Report of the Board Human Resources and Remuneration Committee

Composition of the Committee

The composition of the Board Human Resources and Remuneration Committee (the BHRRC) during the year under review is given below. Profiles of the members as at December 31, 2023, are given on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ attended
Prof A K W Jayawardane* Chairman	06/06
Mr S Muhseen* Director	06/06
Ms J Lee* Director	06/06
Dr S Selliah* Director	06/06

Regular attendees by invitation

Mr S C U Manatunge Managing Director/ Chief Executive Officer	06/06

(Participated in all deliberations except those matters impacting his own terms and conditions of employment)

Secretary to the Committee

Mr U I S Tillakawardana
Deputy General Manager-
Human Resource Management

**Independent Non-Executive Director*

The Committee reviewed and recommended changes to the Organisational Structure and amendments to the Banking Trainee Scheme, for Board approval.



Charter of the Committee

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect the Human Resources Management of the Bank and shall specifically include:

- Determining the compensation of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the Bank.
- Determining the compensation and benefits of the key management personnel and establishing performance parameters in setting their individual targets.
- Lay down guidelines, policies and parameters for the compensation structures for all executive staff of the Bank and oversee the implementation thereof.
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates as per the strategy of the Bank.
- Setting goals and targets for the Directors, Managing Director and Key Management Personnel.
- Evaluate the performance of the Managing Director and Key Management Personnel against the pre agreed targets and goals.
- Make recommendations to the Board of Directors from time to time of the additional/new expertise required at the Bank.
- Assess and recommend to the Board of Directors, succession management and issues connected to the Organisational Structure.

- Evaluate and assess and make recommendations and directions pertaining to the Board of Trustees and the management of the private provident fund of the Bank.
- Make recommendations/decisions/directions pertaining to the statutory payments made by the Bank on behalf of its employees, ensuring the effective fulfillment of all commitments arising as a result of the employer-employee relationship.
- Recommend/decide/direct on disciplinary matters resulting in a significant financial loss to the Bank caused by key management personnel of the Bank.
- Review of the effectiveness of Terms of Reference of the Executive Human Resources Steering Management Committee.

The Chairman of the Committee can convene a special meeting in the event a requirement arises provided all members are given sufficient notice of such special meeting. The quorum for a meeting is three (3) members. Members of the Corporate Management may be invited to participate at the sittings of the Committee meetings as and when required by the Chairman, considering the topics for deliberation at such meeting. The proceedings of the Committee meetings are regularly reported to the Board of Directors.

Guiding Principles

The overall focus of the Committee:

- Setting guidelines and policies to formulate compensation packages, which are attractive, motivating and capable of retaining qualified and experienced employees in the Bank. In this regard, the Committee sets the criteria such as qualifications, experience and the skills and competencies required, to be considered for appointment or promotion to the post of Managing Director and to Key Management Positions.
- Setting guidelines and policies to ensure that the Bank upholds and adheres to the provisions of the Laws of the Lands particularly those provisions of the Banking Act No. 30 of 1988, including the Directions issued by the Monetary Board/Director of Bank Supervision in accordance with the provisions of such Act.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resources Management of the Bank.
- Ensuring that the performance related element of remuneration is designed and tailored to align employee interests with those of the Bank and its main stakeholders and support sustainable growth.
- Structuring remuneration packages to ensure that a significant portion of the remuneration is linked to performance, to promote a pay for performance culture.
- Promoting a culture of regular performance reviews to enable staff to obtain feedback from their superiors in furtherance of achieving their objectives and development goals.
- Developing a robust pipeline of talent capable and available to fill key positions in the Bank.

Methodology adopted by the Committee

The Committee recognises rewards as one of the key drivers influencing employee behaviour, thereby impacting business results. Therefore, the reward programmes are designed to attract, retain and motivate employees to perform by linking performance to demonstrable performance-based criteria. In this regard, the Committee evaluates the performance of the Managing Director and Key Management Personnel against the pre-agreed targets and goals that balance short-term and long-term financial and strategic objectives of the Bank.

The Bank's variable (bonus) pay plan is determined according to the overall achievements of the Bank and pre-agreed individual targets, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the performance of the Bank overall, the particular business unit and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against predetermined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

Further, the Committee may seek external agencies to carry out salary surveys to determine the salaries paid to staff vis-à-vis the market position, enabling the Committee to make informed decisions regarding the salaries and perquisites in the Bank.

Activities in 2023

The Committee held six (06) meetings during the year under review and the proceedings of the Committee meetings, which also included activities under its Terms of Reference, were regularly reported to the Board of Directors with its comments and observations.

The Committee determined the bonus payable for 2022 performance according to the Variable Pay Plan (VPP) for Executive staff and the grant of annual increments to the Executive staff who are not covered by the Collective Agreement. Performance of the members of the Corporate Management during the financial year 2022, including that of the Managing Director/Chief Executive Officer, and the Chief Operating Officer were reviewed. At the conclusion of the review process for 2022, the Key Performance Areas and the respective KPIs of the Corporate Management members set for 2023 were carefully perused by the Committee and agreed on, subject to changes.

Requests by the Pensioners for a revision of pension was considered and the revisions were recommended for the approval of the Board. Proposal on revising allowances for the staff of Dealing Room of the Treasury Division was submitted to the Committee for consideration. The Committee reviewed the proposal and recommended same for approval of the Board. The Committee considered the recommendation made by the Management to grant a special economic relief allowance for permanent staff members up to the Executive Officer Grade taking into

account the prevailing economic situation in the country and recommended same for the approval of the Board. The Proposal on entering into a Collective Agreement with Ceylon Bank Employees' Union (CBEU) for the year 2024 -2026 was submitted to the Committee with proposed salary increments and Committee reviewed the proposal and recommended same for the approval of the Board.

The Board has approved the same and Collective Agreement was signed with Ceylon Bank Employees' Union (CBEU) on January 01, 2024. Renewal of Board Human Resources & Remuneration Charter (BHRRC) was submitted for the review of the Committee and with the recommendation of the Committee, Board approval was obtained.

A proposal for a special relief allowance for the staff in executive grades due to increase in personal income taxes was submitted to the Committee. With the recommendation of the Committee, Board approval was obtained to grant the relief allowance.

The Committee reviewed and recommended amendments to the Banking Trainee Scheme which were subsequently approved by the Board.

A paper was submitted to the Committee to consider the Treasury Division as a Specialised Unit in the HR Policy. On the recommendation of the Committee it was submitted to the approval of the Board of Directors.

A paper was submitted for renaming of Employees Grades. The Committee recommended the paper for the approval of the Board of Directors.

The Committee approved and recommended for Board approval, changes to the Organisational Structure to bring Digital Banking Unit under the purview of Chief Information officer.



Prof A K W Jayawardane

Chairman
Board Human Resources and
Remuneration Committee

February 21, 2024

Report of the Board Related Party Transactions Review Committee

Composition of the Committee

During the year under review, the Board Related Party Transactions Review Committee (the BRPTRC) comprised of the following Independent Non-Executive Directors (in conformity with the requirements of Section D.5 of the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka).

The composition of the BRPTRC during the year under review is given below. Profiles of the members as at December 31, 2023, are indicated on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ attended
Prof A K W Jayawardane* Chairman	04/04
Mr L D Niyangoda* Director	04/04
Mr R Senanayake* Director	04/04
Mr P M Kumarasinghe* Director (Appointed to BRPTRC w.e.f. May 04, 2023)	03/03

Regular attendees by invitation

Mr S C U Manatunge Managing Director/ Chief Executive Officer	04/04
Mr S Prabagar Director/Chief Operating Officer	04/04

Secretary to the Committee

Mr L W P Indrajith
Deputy General Manager-
Finance

**Independent Non-Executive Director*

The Committee reviewed and updated the RPT Policy in line with the revised Corporate Governance Requirements including the Rules governing the Related Party Transactions as set out in Section 9 of the Listing Rules issued by the CSE.



Charter of the Committee

Demonstrating its commitment to good governance, the Board of Directors of the Bank (being one of the few listed entities to do so) formed the BRPTRC in 2014 by early adoption of the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission (SEC) of Sri Lanka which became mandatory for all listed entities from January 01, 2016.

The Committee assists the Board in reviewing all Related Party Transactions (RPT) carried out by the Bank, all its subsidiaries and the associate in the Group to ensure that the interests of shareholders as a whole are taken into account by the Bank when entering into RPT and also to ensure that Directors, Key Management Personnel (KMP) and shareholders with substantial shareholding of the Bank do not secure any undue advantage due to their positions, thereby avoiding any conflicts of interest. The Committee also assists the Board in maintaining transparency in relation to RPT with the required disclosures.

The mandate of the Committee includes inter-alia, the following:

- Developing, updating and recommending a RPT Policy consistent with that proposed by the Section 9 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange (CSE), for adoption by the Board of Directors of the Bank and its listed subsidiaries.
- Updating the Board of Directors on the RPT of each of the listed companies of the Group on a quarterly basis.

- Advising the Board in making immediate market disclosures on applicable RPT as required by Section 9.14.7 of the Listing Rules of the CSE.
- Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9.14.8 of the Listing Rules of the CSE.
- Reviewing and recommending RPTs as per the RPT Policy for the approval of the Board of Directors.

Methodology Adopted by the Committee

- Reviewing the mechanisms in place to obtain declarations from all Directors (at the time of joining the Board and quarterly thereafter) informing the Company Secretary, the primary contact point for Directors, of any existing or potential RPT carried out by them or their Close Family Members (CFM) and obtaining further declarations in the event of any change during the quarter to the positions previously disclosed.
- Reviewing the mechanisms in place to obtain confirmations on any new appointments accepted by Directors of the Bank in other entities as KMP, informing the Company Secretary to identify and capture transactions carried out by the Bank with such entities, if any, which need to be disclosed under 'Directors' Interest in Contracts with the Bank' as disclosed on page 230 of this Annual Report.

- Reviewing the mechanisms in place to capture and feed relevant information on RPT which also includes information on KMP, CFM and the Bank's subsidiaries and associate into the data collection system and the accuracy of such information.
- Ensuring that a Director who has a material personal interest in matters considered at meetings are abstain while the matter is being discussed at meetings and do not take part in recommending such RPT to the Board of Directors.
- Obtaining an annual declaration from each Director, as required by the CBSL designed to elicit information about any existing or potential RPT.
- Ensuring that annual declarations are submitted by Directors directly to the Bank's External Auditors immediately after the closure of the Financial Year for external audit purposes.
- Obtaining independent validation from the Bank's Internal Audit division for information submitted to the Committee for its review.

Following types of RPT are brought to the attention of the BRPTRC as required by the Sections 3(7)(iv) and (v) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka.

- Any credit facility or any other form of accommodation for Directors or their CFMs as approved by the Board. In the case of facilities granted to the children of Directors, such transactions require approval of the Board only if the children are financially dependent in terms of the Definition given on "Close relation" in Section 86 of the Banking Act No. 30 of 1988.
- Any credit facility or any other form of accommodation for entities in which a Director of the Bank or their CFM holding more than 10% of its paid-up capital as approved by the Board.

Activities in 2023

During the year, as a part of Bank's practice of review of policies, the RPT Policy was reviewed and updated in December 2023 line with the revised Corporate Governance Requirements including the Rules governing the Related Party Transactions as set out in Section 9 of the Listing Rules issued by the CSE. The amended RPT Policy was approved by the Board of Directors in December 2023 and implemented. Arrangements were also made to disseminate the amended RPT Policy among all relevant stakeholders and obtained their acknowledgements to ensure that they have read and understood the applicable regulatory requirements relating to identifying, capturing and reporting of RPT. In addition, the Terms of Reference of the Committee was also reviewed and revised in December 2023 to capture new developments and was approved by the Board of Directors in December 2023. Further, the Committee deliberated and took several steps to improve the accuracy of the processes involved in submitting the information on RPT which include process of updating the Related Parties in the Core Banking System of the Bank.

The Committee held four (4) meetings during the year under review as required by Section 9.14.4 (1) of the revised Listing Rules. The Committee reviewed all RPT carried out during the year at its quarterly meetings and the proceedings of the Committee meetings, which also included activities under its Terms of Reference, were regularly reported to the Board of Directors with its comments and observations.



Prof A K W Jayawardane

Chairman
Board Related Party Transactions
Review Committee

February 21, 2024

Report of the Board Credit Committee

Composition of the Committee

The composition of the Board Credit Committee (the BCC) during the year under review, is given below. Profiles of the members as at December 31, 2023, are indicated on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ attended
Prof A K W Jayawardane* Chairman	12/12
Mr S Muhseen* Director	12/12
Ms N T M S Cooray* Director	12/12
Mr D N L Fernando* Director (Appointed as a Director w.e.f. February 07, 2023 and appointed to the BCC w.e.f. February 25, 2023)	10/10
Mr S C U Manatunge Managing Director/ Chief Executive Officer	12/12
Mr S Prabagar Director/Chief Operating Officer	12/12
Mr K Dharmasiri* Director (Retired w.e.f. January 08, 2023)	00/00

Secretary to the Committee

Mr R A P Rajapaksha
Company Secretary

**Independent Non-Executive Director*

The Committee approved credit proposals above a predetermined limit, recommended credit proposals and other credit reports intended for approval/perusal by the Board of Directors after careful scrutiny.



Charter of the Committee

The Committee shall assist the Board in effectively fulfilling its responsibilities relating to Credit Direction, Credit Policy and Lending Guidelines of the Bank in order to inculcate healthy lending culture, meeting standards and best practices and ensure relevant rules, regulations and directions issued by the appropriate authorities are complied with.

The Committee is empowered to:

- Review and consider changes proposed by the Management from time to time to the Credit Policy and the Lending Guidelines of the Bank.
- Review the credit risk controls in lending, ensure alignment with the market context and the internal policy of the Bank and the prevailing regulatory framework in order to ensure continuous maintenance and enhancement of the overall quality of the Bank's loan book.
- Evaluate, assess and approve credit proposals which fall within the delegated authority level of the Committee as prescribed by the Board from time to time.
- Evaluate, assess and approve concessions on interest and writing off of bad debts within the delegated authority level of the Committee as prescribed by the Board from time to time.

- Review and recommend credit proposals which fall within the purview of the Board.
- Evaluate and recommend counter party exposures over Rs. 1,000 Mn. sector exposures and cross border exposures to the Board as per the frequencies identified in Risk Management Policy of the Bank.
- Monitor and evaluate special reports called for by the Board.
- Set lending directions based on the current economic climate and risk appetite of the Bank.
- Proactively review, discuss and remedy significantly large lending exposures with increased vulnerabilities.

Activities in 2023

The Committee held Twelve (12) meetings during the year under review. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

In the face of a challenging environment characterised by the effects of unprecedented macroeconomic challenges within the country and global externalities such as war, political conflict, and the ongoing increase in the cost of living, the Committee strategically sets the Bank's lending directions. It seeks to ensure prudent management of the Bank's credit growth while aiming to maintain and improve credit

quality, with a commitment to incorporating sustainable practices that align with environmental and social responsibility.

The Committee approved credit proposals above a predetermined limit, recommended credit proposals and other credit reports intended for approval/perusal by the Board of Directors after careful scrutiny.

These tasks were carried out by the Committee in line with the Bank's lending policies and credit risk appetite to ensure that the lending portfolios were managed in line with the stipulated credit risk parameters set by the Board of Directors while achieving the Bank's lending targets.



Prof A K W Jayawardane
Chairman
Board Credit Committee

February 21, 2024

Report of the Board Investment Committee

Composition of the Committee

The composition of the Board Investment Committee (the BIC) during the year under review is given below. Profiles of the members as at December 31, 2023, are indicated on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ attended
Mr S Muhseen* Chairman	12/12
Ms Judy Lee* Director	12/11
Mr S C U Manatunge Managing Director/ Chief Executive Officer	12/12
Ms N T M S Cooray* Director	12/12
Mr S Prabagar Director/Chief Operating Officer	12/12
Dr S Selliah* Director (Appointed w.e.f February 17, 2023)	11/11
Mr K Dharmasiri* Director (Retired w.e.f. January 08, 2023)	00/00

Regular attendees by invitation

Mr K D N Buddhipala Chief Financial Officer
Mr S K K Hettihamu Chief Risk Officer
Mr S B Pananwala Assistant General Manager - Corporate Banking

Secretary to the Committee

Mr A Wijesiriwardane Deputy General Manager- Treasury

**Independent Non-Executive Director*

The Committee reviewed and recommended strategies to meet the implications of a possible Domestic Debt Optimisation (DDO) plan by the Government and align the Bank's investment portfolios to meet possible adverse outcomes.



Charter of the Committee

BIC is mandated to achieve the Bank's financial goals, whilst maintaining market risk and liquidity risk at desired levels and maintaining a healthy capital buffer at all times. Main focus of the BIC encompasses management of market, liquidity and interest rate risks in the balance sheet whilst focusing on the concentration and reinvestment risks of investment assets and management of the Bank's capital.

The BIC reviews and approves the policies and operating parameters for investment activities, initiates discussions on capital management of the Bank, reviews and recommends significant investment decisions and reviews the performance of investment portfolios.

In addition, the Committee also evaluates the Bank's overall liquidity management operations, treasury investments and borrowing activities, and capital adequacy. The Bank's borrowing proposals are evaluated by the Committee together with the liquidity requirement and deployment, and suitable recommendations are provided.

The Committee also evaluates the impact of possible macroeconomic developments and trends to the profitability, liquidity, balance sheet, and capital through sensitivity and scenario analysis. As part of macroeconomic analysis process the Committee also recommends and sanctions undertaking of relevant research, investment in enhancing and developing research and analytical capabilities and acquisition of required technical and human resources.

The Committee continuously benchmarks the performance of the Bank's investment portfolios, returns of the banking book, profitability of its business activities and implied risks factors associated with investment decisions.

Methodology adopted by the Committee

The Committee meets monthly to discuss, review and action on following key responsibilities.

- Defining the investment objectives and guidelines of the Bank in alignment with the Bank's strategic goals and risk tolerance, taking into consideration the market conditions, regulatory changes and economic trends.
- Overseeing the implementation of the investment objectives in line with the investment related policies of the Bank by defining the asset allocations, investment horizons and potential returns.
- Approving the investment limits to be set for the Executive Investment Committee by setting the performance benchmarks and measurement criteria for different portfolios, liquidity credit and market risk parameters and reporting requirements.
- Making decisions on investments which fall beyond the limits of the Executive Investment Committee by evaluating the potential investment opportunities, risk return profiles of investments with due consideration for profitability and sustainability.

- Providing guidance on the investment activities of the Bank through oversight of the Due Diligence process, documentation, financial modeling and feasibility analysis and legal agreements. The Committee will ensure that the Bank adhere to the market best practices at all times in its investment activities.
- Provide regular updates and recommendations to the Board of Directors of the Bank on the investment opportunities and decisions approved by the Committee, performance review of portfolios, risk management measures and ensure that all Board members are well informed of the Bank's investment activities.
- Continuous review of the Bank's FX Management Policy to optimise the impact high volatility of LKR and BDT on the Bank's balance sheet. This encompasses the revaluation impact of LKR appreciation on the reserves and risk weighted FCY assets of the Sri Lanka operations, impact of the BDT currency depreciation in Bangladesh operations, NOP impact arising from the impairment of the ISB portfolio in line with the External Auditors' recommendations and the absorption of FCY bond settlement in LKR as part of the DDO programme.
- Approval of investment in US Government treasury instruments to manage the excess FCY liquidity arising from impairment provisions and accepting LKR settlement for maturing SLDB investments.

Activities in 2023

The continuously evolving banking landscape required the Committee to regularly review the Bank's investment activities and financial position. The Committee evaluated and recommended the actions proposed by the Management in areas of investment, risk management and capital mobilisation during the year for the approval of the Board of Directors of the Bank.

Following key areas where the Committee was required to recommend and make decisions can be highlighted.

- Review and recommend strategies to meet the implications of a possible Domestic Debt Optimisation (DDO) plan by the Government of Sri Lanka and align the Bank's investment portfolios to meet possible adverse outcomes.
- Review of the investment and trading portfolio limits for LKR securities to allow better assets and liabilities management by the Bank's treasury. In the absence of growth in corporate and consumer credit the investment requirements in government debt needed to be managed within strict parameters considering the possible impact of DDO and the allocation of funding into debt.
- Recommendation of the Bank's Capital Augmentation Plan and Tier II debt issuance of the Bank to strengthen the capital base.
- Continuous review of the Bank's Liquidity Contingency Plan and Stressed Liquidity Contingency Plan to support the Asset & Liability Management.
- Adoption of the Terms of Reference for the Committee, review and recommendation of the Bank's ALM, Treasury and Investment policies for approval by the Board of Directors of the Bank.
- Reconstitution of the Bank's investment and trading activities in the fixed income securities to optimise the investment returns and segregation of trading and liquidity management activities from statutory investment requirements.
- Sanctioning of setting up dedicated Market and Macroeconomic Research Division.



S Muhseen
Chairman
Board Investment Committee

February 21, 2024

Report of the Board Technology Committee

Composition of the Committee

The composition of the Board Technology Committee (the BTC) during the year under review is given below. Profiles of the members as at December 31, 2023, are indicated on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ Attended
Mr S Muhseen* Chairman	10/10
Mr S C U Manatunge Managing Director/ Chief Executive Officer	10/10
Mr S Prabagar Director/Chief Operating Officer	10/10
Ms D L T S Wijewardena* Director	10/07
Mr P M Kumarasinghe* Director (Appointed as a BTC member w.e.f. May 18, 2023)	07/07
Mr K Dharmasiri* Director (Retired w.e.f. January 08, 2023)	00/00

Regular attendees by invitation

Mr L H Munasinghe Deputy General Manager - Retail Banking & Marketing
Mr P K A S K Gunawardhana Chief Information Officer
Mr T P Suraweera Assistant General Manager - Operations
Mr U K P Banduwansa Assistant General Manager - Digital Banking
Mr K Mediwake Chief Executive Officer - CBC Tech Solutions Limited
Ms Deepthi Denagama Deputy Head of Department - IT Research & Development
Dr Chaminda Ranasinghe Consultant

Secretary to the Committee

Mr K S A Gamage Assistant General Manager - Information Technology Operations

*Independent Non-Executive Director

Overseeing the Bank's digital transformation initiatives, the Committee focused on building a Digital Roadmap, AI & Data Science Roadmap, Technology Roadmap and Information Security Roadmap.



Charter of the Committee

The Board Technology Committee's primary objective is to ensure that the organisation's technology aligns with its overall strategy and goals and that the technology systems are secure, reliable, and compliant with relevant regulations and standards.

This Charter intends to set forth the framework, duties, powers, and responsibilities of the Board Technology Committee, focus areas of which include but are not limited to:

- Technology Strategy:
- Technology Roadmaps:
- Digital Transformation:
- Emerging Technology:
- IT Infrastructure:
- Technology Investment:
- Progress Review of key IT initiatives:

Activities in 2023

The Committee held ten (10) meetings during 2023, and the proceedings of the Committee meetings were regularly reported to the Board of Directors with its comments and observations. The Committee focused on improving the following areas, which are the key drivers of the Bank towards a digital era while ensuring the robustness of the IT infrastructure of the Bank. Committee focused on Building a Digital Roadmap, AI & Data Science Roadmap, Technology Roadmap, Information Security Roadmaps, overseeing the organisation's digital transformation initiatives, oversees the organisation's IT infrastructure, technology-related investments providing

recommendations to the Board, overseeing the organisation's major IT projects' progress against its goals, objectives, timelines ensuring that it aligns with the organisation's overall business strategy and objectives.

Key IT initiatives

- **Core Banking upgrade in Sri Lanka, Bangladesh and Maldives Operations and Branch Teller application upgrade for Maldives and Bangladesh branch network**
The Core Banking Upgrade initiative across Sri Lanka, Bangladesh, and Maldives Operations marks a pivotal milestone in our pursuit of technological excellence and operational efficiency. This strategic endeavour reflects our commitment to staying at the forefront of financial technology, ensuring that our banking systems are not only robust but also equipped to meet the evolving needs of our customers in these diverse markets.
- **Automation of Service Counter Operations of Branches**
The Automation of Service Counter Operations across our branches stands as a transformative initiative at the forefront of our commitment to operational excellence and customer service enhancement. By introducing automation to service counter operations, we aim to reduce transaction times, minimise errors, and enhance the overall customer experience. This initiative aligns with our broader vision of staying ahead in the rapidly evolving technological landscape of the financial industry.

- **AI and Data Science (SME/Data Visualisation) phase 1 for SME operations which enables the teams with data-driven decision-making**

The Phase of Artificial Intelligence (AI) and Data Science strategies custom-made specifically for Small and Medium Enterprises (SMEs), with a primary focus on Data Visualisation. This milestone marks a pivotal step in empowering SME teams with the tools and insights necessary for data-driven decision-making.

- **Early warning signals for lending portfolio**

This strategic initiative aims to fortify risk management practices and bolster the financial stability of our organisation. By deploying sophisticated algorithms and data analytics, the system has demonstrated its proficiency in identifying potential risks and signaling early indicators of distress within the lending portfolio. The EWS framework enables proactive decision-making by providing timely alerts on emerging threats, allowing for swift and effective risk mitigation strategies.

- **Cloud-based email subscription solution with novel features**

- **Virtualised server platform for Bangladesh operations**

- **Loan Origination System version upgrade**

Furthermore, the agile way of working at IT R&D has supported to cater to the business units with the targeted priorities and full transparency. The productivity and quality of deliveries have been greatly improved compared to the previous year.

Digital Infrastructure plays a vital role in providing an uninterrupted service and serves the ever-increasing customer expectations. Cognisant of the importance of the infrastructure, the Information Technology Department has identified and implemented the following key initiatives to enhance the internal system capabilities and streamline the hardware usage;

- **900+ Touchpoints (ATM/CRM)** – The Bank has further expanded its ATM/CRM facility while reaching 900+ touchpoints landmark at the end of the Year 2023 while being Sri Lanka's largest single ATM/CRM network owned by a private sector bank with 24 x 7 customer convenience and enhanced features.

- **High availability framework** – The availability of IT systems for customers is of paramount importance in today's competitive banking industry, especially in digital platforms. When maintaining availability, 'High Availability' is important for IT systems to continue the business even with unpredictable failures of IT systems. The Bank has enhanced the 'High Availability' of its mission-critical systems.

- **Server Virtualisation and Private Cloud** – Centralised Virtual Server Infrastructure at data centers facilitates the Bank's systems and applications covers 93% of the servers and provides many technical advantages while saving OPEX. The strategic decision has been taken to further enhance the server virtualisation platform while enabling a private cloud-ready platform.

Enterprise architecture focus has been set to align all the banking systems and infrastructure to the industry standards. The Business, Data, Application, and Infrastructure architectures have been considered as the key focus verticals incorporating IT standards with security compliance.

- **Compliance and Certifications of ISO 20000/ISO 27001/PCI-DSS** – The Bank was recertified for ISO 20000, ISO 27001, and PCI-DSS, standards in 2023. These are the de facto standards on, IT Service Management, Information Security, and Card Industry, and it will demonstrate that IT systems and processes are maintained with these world-renowned certifications. All these compliances build customer confidence and information security practices.

Projects in progress

The Bank has initiated several key IT projects during the year, including New Treasury System Implementation, Open banking for Maldives, Improvement of Digital Banking platform, Revamp Flash application and implementing, new Micro Services architecture, AI and Data Science use cases, Robotic process automation for internal operations, Fraud monitoring system implementation, Employee self-service mobile app, ATM Channel manager, ITM Version upgrade, Q + Feature addition and Compliance related projects (GoAML, ITRS, RTGS), Implementation of new HR system.

Following key projects were initiated in 2023

The Committee has given its recommendations for following major initiatives of the Bank

- Consultancy on Data Analytics Strategies Developing Roadmaps and Use Cases
- Implementation of Customer Identity and Access Management (CIAM Solution)
- E-Statement Solution for Customer Statements and Advises
- Implementation of Modern Micro Services Platform (API Management, Governance and Observability)
- Implementation of Business Process Management Suite (Low code/No code platform)
- Implementation of New Corporate Digital Banking Platform
- Video KYC(VKYC)/Digital KYC(DKYC)
- CX Management Platform
- Trade Finance System Upgrade Automatic Credit Underwriting Journeys
- Top-tier Human Resource Management System
- Assets and Liabilities Management and Funds Transfer Pricing
- State-of-the-art ATM Switch
- Interbank Cheque Clearing & Fund Transfer Solution for Bangladesh Operations

S Muhseen

Chairman
Board Technology Committee

February 21, 2024

Report of the Board Strategy Development Committee

Composition of the Committee

The composition of the Board Strategy Development Committee (BSDC) during the year under review, is given below. Profiles of the members as at December 31, 2023, are indicated on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ Attended
Prof A K W Jayawardane* Chairman	06/06
Mr S Muhseen* Director	06/06
Mr S C U Manatunge Managing Director/Chief Executive Officer	06/06
Mr L D Niyangoda* Director	06/06
Ms N T M S Cooray* Director	06/06
Ms J Lee* Director	06/06
Mr R Senanayake* Director	06/06
Dr S Selliah* Director	06/06
Mr K Dharmasiri* Director	00/00

(Retired w.e.f. January 08, 2023)

Secretary to the Committee

Mr R A P Rajapaksha
Company Secretary

**Independent Non-Executive Director*

The Committee deliberated on the potential stress on the capital adequacy arising due to many external factors and measures that need to be taken to augment capital adequacy.



Charter of the Committee

The Committee was established to have an overall Bank-wide strategic management oversight.

The Committee is empowered:

- To assist the Board in performing its core responsibilities relating to the Bank's strategy.
- To advise and monitor the Management on:
 - Identification of business strategies geared for the sustainable development of the Bank; and
 - Establishment of processes for planning, implementing, assessing and adjusting of the business strategies.
- To oversee the Management's engagement on the strategic perspective, direction and development of the strategy for the Bank and its business units.
- To oversee the Management's implementation of the approved strategic plan and the progress against strategic milestones and goals.
- To oversee the Management's implementation of major business transformation projects and their execution.
- To engage in detail discussion and provide guidance to the Management on:
 - Whether the governance, risk appetite, financial and capital planning, liquidity and funding management, control environment and resources can support the Bank's strategic objectives.

- Divestitures, Mergers and Acquisition (M&A) strategies including post transaction performance tracking.
- The impact of changes in the competitive environment.
- To foster a cooperative, interactive strategic planning process between the Board and the Management.
- To provide recommendations for strategic direction of the Bank's subsidiaries whenever appropriate.

Activities in 2023

The BSDC met more frequently during the year (six meetings) compared to the minimum requirement of four meetings as per the Terms of Reference to offer guidance in the strategic decision-making process of the Bank in a challenging socio economic environment which prevailed during 2023.

The BSDC assisted the Board by evaluating the business strategies and making recommendations to strengthen core competencies of the Bank.

The Committee carried out the following activities during the year 2023:

- Emphasised on the importance of augmenting customer experience and deliberated on the training requirements for the staff and tools available in this regard.
- Deliberated on the actions to be taken to increase the contribution of the subsidiaries to the Group performance.
- Considered the Government budget proposals and their impact on the Bank and the Banking Industry.

- Deliberated on the potential stress on the capital adequacy arising due to many external factors and measures that need to be taken to augment capital adequacy.
- Received frequent updates on major challenges in 2023 such as foreign exchange crisis, high interest rates, soaring inflation and stressed on capital adequacy to support its decision making.
- Received frequent updates on the progress on the initiatives taken in relation to the Government debt restructuring programme, and deliberated on their impact.
- Reviewed the impact of movements in market variables on capital adequacy.
- Reviewed and discussed matters of importance arising from the Minutes of the Executive Strategy Development Committee Meetings.
- Considered the market share analysis and the market share dashboard and discussed matters relating to same.
- Given the challenging operating environment and the consequent stresses on the Bank, the Committee recommended appropriate revisions to its expansion plans.
- Discussed matters relating to the 2024 Budget of the Bank.
- Deliberated and assessed various aspects concerning the digital banking platform of the Bank, exploring strategic insights, potential enhancements, and key considerations to propel its effectiveness.
- Conducted discussions regarding the initiation of operations at the Colombo Port City, exploring feasibility, strategic implications, and operational considerations to make informed decisions moving forward.
- Deliberated on the importance of standardising service levels across all customer touch points and the establishment of a Customer Experience Unit to enhance and streamline customer interactions across the Board.
- Deliberated on the importance of differentiating the Bank's service standards to gain a competitive advantage in the financial industry.
- Discussed issues pertaining to brain drain in the country and its potential impact on the Bank in depth with the central focus on formulating effective strategies to retain top performing staff members.
- Reviewed the Shareholder Communications Policy.
- Reviewed the Sri Lankan operations of the Bank and directed the main business units to present their plans for enhancing the Bank's market share.
- Reviewed the proposal for a strategic partnership with AIA Insurance Lanka Limited and monitored the progress leading up to the signing of the agreement on November 28, 2023.

Important decisions taken at the Committee meetings and deliberations on activities under the Terms of Reference were regularly reported to the Board of Directors for information/approval.



Prof A K W Jayawardane
Chairman
Board Strategy Development Committee

February 21, 2024

Report of the Board Capital Expenditure Review Committee

Composition of the Committee

The composition of the Board Capital Expenditure Review Committee (BCERC) during the year under review is given below. Profiles of the members as at December 31, 2023, are given on pages 162 to 167.

Board Members and attendance

	Eligible to attend/ attended
Mr S Muhseen* Chairman	01/01
Ms N T M S Cooray* Director	01/01
Dr S Selliah* Director	01/01

Regular attendees by invitation

Mr S C U Manatunge Managing Director/ Chief Executive Officer	01/01
Mr S Prabagar Director/Chief Operating Officer	01/01

Secretary to the Committee

Mr R A P Rajapaksha
Company Secretary

**Independent Non-Executive Director*

Set up during the year, the Committee conducted one meeting, reviewed its terms of reference and reported important decisions to the Board.



Terms of Reference of the Committee

Item 3.5 of the Banking Act Direction No. 01 of 2023 dated February 02, 2023 requires the Licensed Commercial Banks to form a Board Level Sub Committee to operate during the years 2023 and 2024, which is entrusted with the responsibility of evaluating, approving and recommending to the Board for approval all expenses including non-essential and/or non-urgent expenditure and/or capital expenditure to be incurred by the Bank, if any.

Accordingly, with a view to ensure compliance with the above Direction, the Bank formed the Board Capital Expenditure Review Committee (BCERC).

Upon receipt of approval by the Executive Procurement Committee, the BCERC is empowered;

- to review and approve all capital expenditure projects, [except for IT related Capital Expenditure which will be recommended by the Board Technology Committee (BTC) for approval of the Board in terms of the Terms of Reference of BTC] in excess of Rs. 25 Mn. up to Rs. 50 Mn.; and
- to review and recommend for approval of the Board, all capital expenditure projects, (except for IT related Capital Expenditure which will be recommended by BTC in terms of the Terms of Reference of BTC) in excess of Rs. 50 Mn.

Charter of the Committee

The Committee shall;

- Evaluate any expense related to proposals received by the Committee to ascertain whether such expenditure can be considered as non-essential or non-urgent.
- Discuss the Company's capital expenditure, objectives and plans with the Management.
- Periodically review the performance of major capital expenditure projects which fall under the purview of the Committee, against original projections.
- Execution of any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's non-essential or non-urgent expenditure and/or capital expenditure.
- Monitor, evaluate and compile special reports called for by the Board.

Activities in 2023

One (01) Committee meeting was held during the year under review and the BCERC reviewed the terms of reference pertaining to the same.

Important decisions taken at the Committee meetings and deliberations on activities under the Terms of Reference were regularly reported to the Board of Directors for information/approval.

S Muhseen
Chairman
Board Capital Expenditure Review Committee

February 21, 2024

Statement of compliance – 2023

Further to the Annual report of the Board of Directors on the Affairs of the Company appearing on page 03, given below is a summary of the extent of compliance with the requirement of section 168 of the Companies Act No. 07 of 2007 and amendments thereto and other relevant statutes.

Statement of compliance

Table – 45

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
Mandatory Disclosures as required by the Companies Act No. 07 of 2007 and amendments thereto (CA)			
01. The nature of the business of the Group and the Bank together with any changes thereof during the accounting period	Section 168 (1) (a)	Notes to the Financial Statements: Item 1.3: Principal business activities, Nature of operations of the Group and ownership by the Bank in its subsidiaries and Associate	279 and 280
02. Signed Financial Statements of the Group and the Bank for the accounting period completed in accordance with Section 152	Section 168 (1) (b)	Financial Statements of the Group and the Bank for the year ended December 31, 2023	267 to 420
03. Auditors’ Report on the Financial Statements of the Group and the Bank	Section 168 (1) (c)	Independent Auditors’ Report	262 to 264
04. Accounting Policies of the Group and the Bank and any changes therein	Section 168 (1) (d)	Notes 6 to 10 to the Financial Statements: Material Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Bank	289 to 301
05. Particulars of the entries made in the Interests Registers of the Bank and its Subsidiaries during the accounting period	Section 168 (1) (e)	The Bank and all its Subsidiaries maintain Interests Registers. All Directors have made declarations as required by the Section 192 (1) and (2) and all related entries were made in the Interests Registers during the year under review. The Interests Registers are available for inspection by shareholders or their authorised representatives as required by the Section 119 (1) (d). “Directors' Interest in Contracts with the Bank” disclosed in the Annual Report.	230 and 231
06. Remuneration and other benefits paid to Directors of the Bank and its Subsidiaries during the accounting period	Section 168 (1) (f)	Note 21 to the Financial Statements: Other Operating Expenses	311
		Report of the Board Human Resources and Remuneration Committee	203 and 204
07. Total amount of donations made by the Bank and its Subsidiaries during the accounting period	Section 168 (1) (g)	Note 21 to the Financial Statements: Other Operating Expenses	311
08. Information on Directorate of the Bank and its Subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	Governance and Risk Management	160 to 258
		"Board of Directors and Profiles" for details of members of the Board of Directors of the Bank	160 to 167
		"Group Structure" for details of members of the Board of Directors of the Group	142 and 143
Recommendations for Re-election			
(i) In terms of Article 85 of the Articles of Association, two Directors are required to retire by rotation at each Annual General Meeting (AGM). Article 86 provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last re-election or appointment.			

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
		(ii) The Board recommended the re-election/election of the following Directors, after considering the contents of the Affidavits and Declarations submitted by them and all other related issues: (a) Re-election of Directors who retire by rotation • Mr S Muhseen • Mr R Senanayake (b) Election of the Director who was appointed to fill the casual vacancy • Mr P M Kumarasinghe	
		(iii) Directors who served on the Board for nine years – None as at end of 2023. [In terms of the Banking Act Direction No. 11 of 2007 on “Corporate Governance for Licensed Commercial Banks in Sri Lanka”, the total period of service of a Director (other than a Director who holds the Position of Chief Executive Officer) is limited to nine years. Further, under the criteria to assess the fitness and propriety of Directors, the age of a person who serves as director of a bank has been restricted to a maximum of 70 years].	
09. Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Bank and its Subsidiaries	Section 168 (1) (i)	Note 21 to the Financial Statements: Other Operating Expenses	311
10. Auditors’ relationship or any interest with the Bank and its Subsidiaries (Lead auditor’s independence)	Section 168 (1) (j)	Independence Confirmation has been provided by Messrs. Ernst & Young as required by Section 163 (3), in connection with the audit for the year ended December 31, 2023, confirming that Ernst & Young is not aware of any relationship with or interest in the Bank or any of its subsidiaries that in their judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date. No prohibited non-audit services have been provided by Messrs. Ernst & Young as per the Direction issued by the CBSL on ‘Guidelines for External Auditors relating to their Statutory Duties’. The Directors are satisfied as the BAC has assessed each service, having regard to auditor’s independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs. Ernst & Young.	
11. Acknowledgement of the contents of this Report/ Signatures on behalf of the Board of Directors	Section 168 (1) (k)	The Board of Directors have acknowledged the contents of this Annual Report as disclosed.	03
Other Disclosures as required by Recommended Best Practices (RBP), Listing Rules (LR) of the Colombo Stock Exchange, Companies Act No. 07 of 2007 and amendments thereto (CA) and the Banking Act Direction No. 11 of 2007 (the Direction)			
12. Vision, Mission and Corporate Conduct	RBP	The business activities of the Group and the Bank are conducted maintaining the highest level of ethical standards in achieving our "Vision and Mission", which reflect our commitment to high standards of business conduct and ethics. The Bank issues a copy of its Code of Ethics to each and every staff member and all employees are required to abide by the provisions contained therein.	Inner Front Cover

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
13. Review of Business operations of the Group and the Bank and future developments	RBP	"Message from the Chairman" and "Managing Director's/ Chief Executive Officer's Review"	29 to 34
		Management Discussion and Analysis	62 to 159
		Note 61 to the Financial Statements: Operating Segments	382 and 383
14. Gross Income	RBP	Notes 12 & 61 to the Financial Statements: Gross Income & Operating Segments	302, 382 and 383
15. Dividends on Ordinary Shares	RBP	Notes 25 & 68 to the Financial Statements: Dividends on ordinary shares & Events after the reporting period	314, 315 and 420
		Item 3 of "Investor Relations"	151
16. Reserves and appropriations	RBP	Statement of Changes in Equity	270 to 277
		Notes 53, 54 & 55 to the Financial Statements: Statutory reserves, Retained earnings & other reserves	373 to 376
17. Corporate Social Responsibility (CSR)	RBP	"Community Engagement- Outreach"	112 to 119
18. Extents, locations, valuations and the number of buildings of the Bank's land holdings and investment properties	LR 7.6 (VIII)	Note 38 to the Financial Statements: Property, Plant and Equipment & Right-of-use assets	337 to 349
		Note 39 to the Financial Statements: Investment Property	349 to 352
		Note 57.2 to the Financial Statements: Capital Commitments	378
19. Significant changes in the Bank's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	LR 7.6 (XII)	Note 38.5 (b) to the Financial Statements: Information on freehold land and buildings of the Bank and Group Valuations	343 to 348
		Note 39.1(b) to the Financial Statements: Information on investment properties of the Group – Valuations	351
20. Issue of Shares and Debentures			
20.1 Issue of Shares by the Bank	LR 7.6 (XIII)	Notes 51 & 51.1 to the Financial Statements: Stated Capital and Movements in number of shares	370
20.2 Issue of Debentures by the Bank	LR 7.6 (XIII)	Note 50 to the Financial Statements: Subordinated Liabilities	368 to 370
20.3 Issue of Shares and Debentures by the Subsidiaries and the Associate	CA S.168 (1) (e)	During the year, the subsidiaries and associate of the Bank did not make any share or debenture issues.	
21 Share information and Substantial Shareholdings			

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
21.1 Distribution Schedule of Shareholdings, names and the number of shares held by the 20 largest holders of Voting & Non-Voting shares and the percentage of such shares held, Float adjusted Market Capitalisation, public holding percentage, number of public shareholders, and the option under which the Bank complies with the minimum public holding requirement.	LR 7.6 (III) LR 7.6 (IV) LR 7.6 (X) LR 7.13.1	Items 4.2, 4.3 and 4.5 of "Investor Relations"	152, 153 and 154
21.2 Financial ratios and market price information	LR 7.6 (XI)	Financial Highlights Item 2 of the "Investor Relations"	16 148
Information on Earnings, Dividends, Net Assets and Market Value per share		Decade at a Glance Items 3 and 11 of the "Investor Relations"	138 to 141 151 and 159
Information on listed debt securities		Refer items 10 and 11 of the "Investor Relations"	158 and 159
		Annex 2 – Basel III – Disclosures under Pillar III as per Banking Act No. 01 of 2016 – Disclosure 6 – Main features of regulatory capital instruments	454 and 455
Any changes in credit rating (for the Bank or any other instrument issued by the Bank)		Refer item 12 of the "Investor Relations"	159
21.3 Information on Number of shares representing the Bank's stated capital	LR 7.6 (IX)	Note 51 to the Financial Statements Item 7 of the "Investor Relations"	370 156 to 158
21.4 Own Share Purchases	CA 5.64	The Bank does not purchase its own shares.	
21.5 Equitable Treatment to Shareholders	RBP	Statement of Directors' Responsibility for Financial Reporting – item (k)	224
22. Information on Directors' Meetings and Board Committees			
22.1 Directors' Meetings	RBP	Composition of the Board and attendance (Principal A.4 and A.5) Board meetings (Principal A.1.1 and A.10.1)	183
22.2 Board Committees	RBP	Board Committee Reports	195 to 215
23. Disclosure of Directors' dealings in shares and debentures			
23.1 Directors' Interests in Ordinary Voting and Non-voting Shares of the Bank	LR 7.6 (V)	Item 4.4 of "Investor Relations" Directors' shareholdings in Ordinary Voting Shares and Ordinary Non-Voting Shares have not changed subsequent to the date of the Statement of Financial Position up to February 05, 2024, the date being one month prior to the date of Notice of the AGM.	154

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s																																		
23.2 Directors' Interests in Debentures	LR 7.6 (V)	Mr R Senanayake and Dr Selliah, Directors held 22,800 and 183,200 debentures of the Bank as at December 31, 2023. Except for the above, there were no debentures registered in the name of any other Director as at the beginning and at the end of the year.																																			
24. Employee Share Option Plans and Profit-sharing Plans	LR 7.6 (XIV)	Note 52 to the Financial Statements: Share-based payment The Group and the Bank have not, directly or indirectly, provided funds for the ESOPs. The Group and the Bank do not have any employee profit sharing plans, except the variable bonus scheme. Tabulated below are the details of options available/exercised by the Executive Directors under the ESOPs. <table><tr><th rowspan="2">Description</th><th colspan="2">2023</th><th colspan="2">2022</th></tr><tr><th>Mr S C U Manatunge</th><th>Mr S Prabagar</th><th>Mr S C U Manatunge</th><th>Mr S Prabagar</th></tr><tr><td>As at January 01,</td><td>152,914</td><td>97,750</td><td>152,914</td><td>97,750</td></tr><tr><td>Vested during the year</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Exercised during the year</td><td>(38,323)</td><td>(75,683)</td><td>-</td><td>-</td></tr><tr><td>Expired during the year</td><td>(34,521)</td><td>(22,067)</td><td>-</td><td>-</td></tr><tr><td>As at December 31,</td><td>80,070</td><td>-</td><td>152,914</td><td>97,750</td></tr></table>	Description	2023		2022		Mr S C U Manatunge	Mr S Prabagar	Mr S C U Manatunge	Mr S Prabagar	As at January 01,	152,914	97,750	152,914	97,750	Vested during the year	-	-	-	-	Exercised during the year	(38,323)	(75,683)	-	-	Expired during the year	(34,521)	(22,067)	-	-	As at December 31,	80,070	-	152,914	97,750	371 and 372
Description	2023			2022																																	
	Mr S C U Manatunge	Mr S Prabagar	Mr S C U Manatunge	Mr S Prabagar																																	
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Expired during the year	(34,521)	(22,067)	-	-																																	
As at December 31,	80,070	-	152,914	97,750																																	
25. Directors' Interests in Contracts or Proposed Contracts and Remuneration & other benefits of Directors during the year under review	CA S.192	Directors declare their outside business interests on appointment and quarterly thereafter, details of which are recorded in the Directors' Interests Register, and available for inspection in terms of the Companies Act. Note 21 to the Financial Statements: Other Operating Expenses Note 62 to the Financial Statements: Related Party Disclosures RBP As a practice, Directors have refrained from voting on matters in which they were materially interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Bank other than those disclosed in the Directors' interests in contracts with the Bank. CA S.168 (1) (e) LR 7.6 (XIV) There are no arrangements that enable the Non-Executive Directors of the Group and the Bank to acquire shares or debentures of the Bank or its Subsidiaries, other than via the market. CA S.217 (2) (d) There are no restrictions on the approval of loans to Directors in the Bank's ordinary course of business, subject to compliance with all applicable regulations.	130 311 384 to 388																																		
26. Director's and Officers' Insurance	CA S.218	The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and the Directors, Secretaries, Officers and certain employees of the Bank and related body corporates as defined in the insurance policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.																																			

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
27. Environmental Protection	RBP	The Group and the Bank have not, to the best of their knowledge, engaged in any activity, which was detrimental to the environment.	
		Specific measures taken to protect the environment are disclosed in the section on "Community Engagement – Outreach"	112 to 119
28. Declaration on Statutory Payments	RBP	Statement of Directors' Responsibility for Financial Reporting – item (h)	224
29. Events after the reporting period	RBP	Note 68 to the Financial Statements: Events after the reporting period	420
30. Going Concern	RBP	Statement of Directors' Responsibility for Financial Reporting – item (m)	224 and 225
31. Directors' Responsibility for Financial Reporting	CBSL Direction 3 (8) (ii) (a)	Statement of Directors' Responsibility for Financial Reporting	224 and 225
32. Appointment of Auditors and their remuneration	CBSL Direction 3 (1) (i) (m)	The Board has adopted a policy of rotation of Auditors, once in every five years, in keeping with the principles of good corporate governance. At the end of the five-year period, quotations are called from suitable audit firms, prior to the recommendation of new Auditors as per the rotation policy. In addition, External Auditors submit a statement annually confirming their independence as required by Section 163 (3) of the Companies Act No. 07 of 2007 (as amended) in connection with external audit. Messrs Ernst & Young completed six consecutive years of external audit with the audit of the Financial Statements for year ended December 31, 2023. Although the Bank used to rotate the External Auditor every five years, Messrs Ernst & Young was retained as the External Auditor of the Bank for an additional year, considering the fact that the CBSL deployed Messrs KPMG to conduct an Asset Quality Review on the Banking Sector in the country in year 2023. With the recommendation of the BAC, a resolution to appoint Messrs KPMG as the External Auditor and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming AGM to be held on March 28, 2024, for shareholder approval.	
33. Material issues pertaining to employees and industrial relations	LR 7.6 (VII)	Item 6 of "Investor Relations" –	155
34. Risk management and system of internal controls	LR 7.6 (VI)	Risk Governance and Management	232 to 258
		Report of the Board Integrated Risk Management Committee	199 and 200
		Note 66 to the Financial Statements: Financial Risk Review	390 to 420
		Directors' Statement on Internal Control over Financial Reporting and Risk Management	226 and 227
		The Independent Auditors' Report	262 to 264
		Independent Assurance Report on the Directors' Statement on Internal Control over Financial Reporting and Risk Management	228

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
35. Corporate Governance	RBP	The Directors declare that - (a) the Bank has complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board Integrated Risk Management Committee; (b) they have declared all material interests in contracts involving the Bank and refrained from voting on matters in which they were materially interested; (c) they have complied with the Direction, Section 9 of the Listing Rules and the Code of Best Practices on Corporate Governance; (d) they have conducted a review of internal controls covering financial, operational & compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence. (e) the Bank has complied with the Section 9.14 of the Listing Rules on Related Party Transactions Review Committee and has made the required disclosures in the Financial Statements and to the market when applicable; (f) the business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Bank's Corporate/Business plans and is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Bank, its Subsidiaries and Associate are prepared based on the Going Concern assumption.	
36. Focus on new regulations	RBP	Accounting Standards The Bank is well poised to comply with the amendments made to the Accounting Standards issued but not yet effective as at the reporting date, as disclosed in Note 11 to the Financial Statements. Section 9 of the Listing Rules on Corporate Governance The CSE along with the Securities and Exchange Commission of Sri Lanka (SEC), revised the Corporate Governance Rules for the Listed Entities on the Main Market Segment from October 01, 2023, subject to certain transitional provisions. Refer Annex 1.3 on Compliance with Section 9 of the Listing Rules issued by the CSE. The Bank conducted a gap analysis on revised Corporate Governance Rules and ensured the compliance with rules which became effective from October 01, 2023 and is in the process of ensuring the compliance with new Rules that are to be effective in the year 2024. IFRS Sustainability Accounting Standards IFRS S1- General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2- Climate-related Disclosures are the first IFRS sustainability disclosure standards that have been issued by the ISSB in June 2023. The two standards are globally effective for reporting periods starting January 01, 2024 and the effective date in the local context has not yet been announced. The Bank is in the process of conducting a gap analysis, developing a roadmap for early application.	301

Disclosure Requirement	Reference to the relevant statute/rule	Page reference for Compliance and other necessary disclosures	Page/s
37. Sustainability	RBP	The Bank is an early champion of adopting sustainability practices and sustainability reporting. The Bank has considered the sustainability aspects when formulating its business strategies. As explained under item 36 above, the Bank expects to early adopt IFRS S1 and S2.	
		Annex 3: GRI Content Index	464 to 468
38. Human Resources	RBP	The Bank continues to invest in Human Capital Development and implement effective Human Resource Practices and Policies to improve workforce efficiency, effectiveness and productivity and also to foster collaborative partnerships that enrich the work and learning environment for our staff.	
		Specific measures taken in this regard are detailed in the “Report of the Board and Human Resources and Remuneration Committee”.	203 and 204
		Refer Management Discussion and Analysis	62 to 159
39. Technology	RBP	As encapsulated in the Vision and the Mission, our business processes are underpinned by technology. All of our processes involve information technology, and we use technology to deliver superior products and services to our customers. Correspondingly, the business is more heavily intertwined with technology than ever before.	
		Key achievements in this regard during the year are detailed in the “Report of the Board Technology Committee”.	211 and 212
40. Operational excellence	RBP	To increase efficiency and reduce operating cost, the Bank has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.	
41. Outstanding Litigation	RBP	In the opinion of the Directors and in consultation with the Bank’s lawyers, litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations.	
		Note 59 to the Financial Statements: Litigation Against the Bank	379
42. Disclosure on Related Party Transactions	LR 9.14.8 (1) and (2)	Note 62 to the Financial Statements: Related Party Disclosures	384 to 388
	LR 9.14.8 (3)	Report of the Board Related Party Transactions Review Committee	205 and 206
	LR 9.14.8 (4)	Statement of Annual Report of the Board of Directors	03 and 04
43. Annual General Meeting and the Notice of Meeting	CA S.133 and CA S.135 (a)	The 55th AGM of the Bank will be held at the Galadari Hotel, “Grand Ballroom”, No. 64, Lotus Road, Colombo 01, on Thursday, March 28, 2024 at 2.30 p.m. Notice relating to the 55th AGM of the Bank is enclosed at the end of the Annual Report.	

Statement of Directors' responsibility for financial reporting

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of the Commercial Bank of Ceylon PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Subsidiaries and the Associate (the Group).

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the *"Independent Auditors' Report"* given on pages 262 to 264.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007 and amendments thereto, the Board of Directors of the Bank is responsible for ensuring that the Group and the Bank keep proper books of account of all the transactions. The Directors are also responsible for preparing Financial Statements that give a true and fair view of the financial position as at the end of each financial year and the financial performance for each financial year of the Group and the Bank and placing them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2023, the Income Statement and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto of the Group and the Bank.

Accordingly, the Board of Directors confirms that the Financial Statements of the Group and the Bank give a true and fair view of the

- financial position of the Group and the Bank as at December 31, 2023 and
- financial performance of the Group and the Bank for the financial year then ended.

Compliance Report

The Board of Directors also wishes to confirm that:

- (a) appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 267 to 420 based on the latest financial reporting framework on a consistent basis, while reasonable and

prudent judgements have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;

- (b) the Financial Statements for the year ended December 31, 2023, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the following:
 - Sri Lanka Accounting Standards;
 - Companies Act
 - Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
 - Banking Act No. 30 of 1988 and amendments thereto;
 - Listing Rules of the Colombo Stock Exchange (CSE); and
 - Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- (c) these Financial Statements comply with the prescribed format issued by the CBSL for the preparation of annual financial statements of licensed commercial banks;
- (d) proper accounting records which correctly record and explain the Group's and the Bank's transactions have been maintained as required by the Section 148 (1) of the Companies Act to determine at any point of time the Group's and the Bank's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements;
- (e) they have taken appropriate steps to ensure that the Group and the Bank maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the BAC, the Report of which is given on pages 195 to 198. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the BAC;
- (f) they accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;
- (g) they have taken reasonable measures to safeguard the assets of the Group and the Bank and to prevent and detect frauds and other irregularities. In this regard, the Board of Directors has instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of banking in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The *"Directors' Statement on Internal Control over Financial Reporting and Risk Management"* is given on pages 226 and 227;
- (h) to the best of their knowledge, all taxes, duties and levies payable by the Bank and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and its Subsidiaries, and all other known statutory dues as were due and payable by the Bank and its Subsidiaries as at the Reporting date have been paid or, where relevant, provided for, except as specified in Note 59 to the Financial Statements on *"Litigation against the Bank"* on page 379.
- (i) as required by the Section 56 (2) of the Companies Act, they have authorised distribution of the dividends paid and proposed upon being satisfied that the Bank and all its Subsidiaries, subject to complying with all the conditions imposed by the CBSL, would satisfy the solvency test after such distributions are made in accordance with the Section 57 of the Companies Act and have obtained in respect of dividends paid and proposed, and also for which approval is now sought, necessary certificates of solvency from the External Auditors;
- (j) as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Bank, who have

expressed desire to receive a hard copy. A soft copy of this Annual Report has also been hosted in the "Investors" section of the Bank's website (<https://www.combank.lk/investors>), in addition to the soft copy thereof available in the CSE website, for the benefit of other shareholders within the stipulated period of time as required by the Rules No. 7.5 (a) and (b) of Continuing Listing Rules of the Listing Rules of the CSE, instead of sending a soft copy in a CD. Further, an interactive html version of the Annual Report too has been hosted in the Bank's website (<https://www.combank.lk/investors>);

- (k) that all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- (l) that the Bank and its quoted subsidiary have met all the requirements under the Section 07 of Continuing Listing Rules of the CSE, where applicable;
- (m) that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code of Best Practice on Corporate Governance 2023' issued by the CA Sri Lanka, the Board of Directors has a reasonable expectation that the Bank and its Subsidiaries possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements;
- (n) the Financial Statements of the Group and the Bank have been certified by the Chief Financial Officer, the officer responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act and also have been signed by three Directors and the Company Secretary of the Bank on February 21, 2024 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements; and

- (o) the Bank's External Auditors, Messrs Ernst & Young who were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting held on March 30, 2023, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Bank together with all the financial records, related data and Minutes of Shareholders' and Directors' Meetings and expressed their opinion in the "Independent Auditors' Report" which appears as reported by them on pages 262 to 264.

Accordingly, the Board of Directors is of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board,



R A P Rajapaksha
Company Secretary

February 21, 2024
Colombo

Directors' statement on internal control over financial reporting and risk management

Responsibility

The Board of Directors (the Board) of Commercial Bank of Ceylon PLC (the Bank) wishes to present this Report on Internal Control over Financial Reporting and Risk Management, in line with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 (Code) issued by CA Sri Lanka.

The Board is responsible for the adequacy and effectiveness of the system of risk management and internal controls in place at the Bank. However, such a system is designed to manage the Bank's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Bank. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Bank and this risk management framework has been well established for many years, which includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by CA Sri Lanka. The Board has assessed the internal controls taking into account all main principles for the assessment of an internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place over financial reporting at the Bank is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is done in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures on risk management and internal controls by identifying and assessing the risks faced, and in the design, implementation, operation and monitoring of suitable system of risk management and internal controls to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System on Financial Reporting and Risk Management

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting and risk management include the following:

- Ten (10) Subcommittees have been established by the Board, including those mandatory committees as required by the Banking Act Direction No 11 of 2007, the Listing Rules of the Colombo Stock Exchange, and the Banking Act Direction No 01 of 2023, to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are conducted in line with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved. Details of the activities undertaken by each Subcommittee are set out on pages 195 to 215.
- Policies/Charters have been developed covering all functional areas of the Bank and these have been recommended by Board appointed Committees and approved by the Board. Such policies and Charters are reviewed and approved at least annually.
- The Inspection/Internal Audit Department/ Information Systems Audit Unit of the Bank check for compliance with policies and procedures and the effectiveness of the internal control systems/Information System controls on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Further, Onsite, Online and Offsite audits are carried out covering all departments, branches, subsidiaries and overseas operations in accordance with the annual audit plan reviewed and approved by the Board Audit Committee (BAC). The type and frequency of audits of Business units are determined by the level of risk assessed, to provide an independent and objective report. Findings of the internal audits are submitted to the BAC for review at its periodic meetings for initiating necessary action. The Inspection/ Internal Audit Department conducted online audits covering all Branches in Sri Lanka and Bangladesh, Corporate Banking Unit, Digital Banking Unit, Card Center, Treasury, Finance, and Subsidiaries – CBC Finance Limited, Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Company Limited during 2023 as well. Scope of Online, near time and real time audits was further enhanced to cover high risk transactions of the Bank. In addition, monitoring over cyber security controls and modifications to core banking systems/databases was further strengthened utilising appropriate tools/ techniques and resources. Through this initiative, the controls are being tested on a near or real time basis. Further, Offsite/ Online audit introduced during 2020 were continued in 2023 as well to test and verify internal controls relating to Credit area of Branches. The findings were tabled at the meetings of the BAC for review and for initiating necessary action. The "Online Auditing" initiative has further strengthened the review of the design and effectiveness of the internal control system of the Bank.
- The BAC reviews internal control issues identified by the Internal Audit Department, co-sourced Internal Auditors, Regulatory Authorities, External Auditors and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The BAC also carries out an annual evaluation to review the effectiveness of internal audit function with particular emphasis on the scope, quality, independence of internal audit and the resources. The Minutes of the BAC meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis.
- In assessing the internal control system over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis. The assessment included both local and overseas subsidiaries and the Bangladesh operations of the Bank as well.

Since the adoption of the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments", which became effective from January 01, 2018, the Bank introduced and implemented the processes that are

required to comply with the requirements of recognition, measurement, presentation and disclosures under the above Accounting Standard. These processes were continuously strengthened based on the feedback received from the External Auditor, Internal Audit Department, regulators and the BAC. Continuous monitoring is in progress and steps are being taken to further improve the processes where required, and to enhance effectiveness and efficiency. The Bank has documented the procedures relating to these requirements and updates the procedure manuals as and when necessary and also obtained approval of the Board with the recommendation of the BAC for changes made to the documented procedures. The Bank's Internal Audit department conducts tests on these processes and the outcome of such exercise was tabled regularly for review by the BAC during the year 2023 as well. Having recognised the need to introduce an automated platform for various computations required under SLFRSs and LKASs including loan impairments, the Bank automated impairment calculations through a renowned software solution and the Bank commenced preparing its Financial Statements based on this automated impairment solution from the second quarter of 2023. However, the Bank decided to continue with the manual calculation of impairment as a parallel exercise despite the live deployment of the software solution. This is because impairment calculations require continuous refinements given the macro-economic challenges faced by the country, the consequent impact on the Bank's customers in most of the industries and the evolving regulatory requirements which are in addition to the requirements of the Sri Lanka Accounting Standards. In addition, the Bank also took steps to document the entire Financial Statements Closure Process in 2021 with the support of an external consultant, and the same was validated by an independent consultant. These proactive measures helped the Bank to ensure that the Bank is in compliance with the requirements of the Banking Act Direction Nos. 13 and 14 on "Classification, Recognition and Measurement of Credit Facilities and other Financial Assets in Licensed Banks" issued by the Central Bank which became effective from January 01, 2022.

The Bank in process of documenting the risks and controls underlying the automated impairment calculations referred to above.

The comments made by the External Auditor in the Management Letter in connection with the internal control system over financial reporting in previous years and the recommendations made in the Statutory Examination Reports of the CBSL were reviewed during the year and necessary steps were taken to address them with regular reports from the Management, where appropriate. The recommendations made by the External Auditor in 2023 in connection with the internal control system over financial system will be dealt within the future.

Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditor, Messrs Ernst & Young, has reviewed the above Directors' Statement on Internal Control included in this Annual Report for the year ended December 31, 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the 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 independent assurance report on the "Directors' Statement on Internal Control over Financial Reporting and Risk Management" is given on page 226 of this Annual Report.

By Order of the Board,



Prof A K W Jayawardane
Chairman



S Muhseen
Deputy Chairman



R Senanayake
Chairman
Board Audit Committee



Ms J Lee
Chairperson
Board Integrated Risk Management Committee



S C U Manatunge
Managing Director/Chief Executive Officer

February 21, 2024

Independent Assurance Report



Ernst & Young
Chartered Accountants
Rotunda Towers
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P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
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ey.com

TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF CEYLON PLC

Report on the Director's Statement on Internal Control

We were engaged by the Board of Directors of Commercial Bank of Ceylon PLC ("the Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended December 31, 2023.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by The Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by The Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require 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 (Revised) 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.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

Chartered Accountants

February 21, 2024
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCCA FCCA MBA (USJ-SL), G B Goudian ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACA, W S J De Silva BSc (Hons)-MIS MSc-IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Managing Director/Chief Executive Officer's and Chief Financial Officer's statement of responsibility

The Financial Statements of the Commercial Bank of Ceylon PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Subsidiaries and the Associate (the Group) as at December 31, 2023 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act;
- 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);
- Listing Rules of the Colombo Stock Exchange (CSE); and
- Code of Best Practice on Corporate Governance 2023 issued by the CA Sri Lanka

The formats used in the preparation of the Financial Statements and disclosures made in this Annual Report and the Interim Financial Statements comply with the specified formats prescribed by the CBSL.

The Group presents the financial results to its shareholders on a quarterly basis.

The Material Accounting Policies have been consistently applied by the Group. Application of Material Accounting Policies and estimates that involve a high degree of judgement and complexity were discussed with the members of the BAC and Bank's External Auditors. Comparative information has been amended to comply with the current presentation, where applicable.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended December 31, 2022. Accordingly, there was no necessity to amend the comparative information to comply with the current presentation.

We confirm that to the best of our knowledge, the Financial Statements, Material Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of the operations and the Cash Flows of the Group during the year under review. We also confirm that the Group has adequate resources to continue in operation and has applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing, and maintaining Internal Controls and Procedures within the Bank and all its Subsidiaries and the Associate. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the Group is made known to us for safeguarding assets, preventing, and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Risk Management Procedures of the Group for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Risk Management Procedures, to the best of our knowledge. We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and the detection of fraud that involves management or other employees. The Bank's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Risk Management Procedures are consistently followed.

The Financial Statements of the Group were audited by Messrs Ernst & Young, Chartered Accountants and their Report is given on page 262. The BAC pre-approves the audit and non-audit services provided by Messrs Ernst & Young, to ensure that the provision of such services does not contravene with the guidelines issued by the CBSL on permitted non-audit services or impair Messrs Ernst & Young's independence and objectivity.

The BAC, inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and Risk Management Procedures and also reviewed the quality of Material Accounting Policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the "Report of the Board Audit Committee" appearing on pages 195 to 198. The Bank engaged the services of four firms of Chartered Accountants approved by the CBSL to strengthen the audit and inspection functions. The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC ensure that the Internal Controls and Procedures are followed consistently. To ensure complete

independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matters of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the Group and the Bank have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

- The Group and the Bank have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group and the Bank other than those disclosed in Note 59 on Litigation Against the Bank on page 379 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group and the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group and the Bank as at December 31, 2023 have been paid, or where relevant provided for.



S C U Manatunge
Managing Director/Chief Executive Officer



K D N Buddhipala
Chief Financial Officer

February 21, 2024
Colombo

Directors' interest in contracts with the Bank

Related party disclosures as per the Sri Lanka Accounting Standard – LKAS 24 on “Related Party Disclosures” is disclosed in Note 62 to the Financial Statements on pages 384 to 388 of this Annual Report. In addition, the Bank carries out transactions in the ordinary course of business on an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities.

Table 46

Director/Company	Relationship	Accommodation granted/Deposits		Current limit	Balance/outstanding	
				as at December 31, 2023	as at December 31, 2023	as at December 31, 2022
				Rs '000	Rs '000	Rs '000
(a) Prof A K W Jayawardane						
Sierra Cables PLC	Independent/Non-Executive Director	Loans and advances	} Combined Limits available	1,540,000	634,154	625,238
		Off-balance sheet accommodations		863,488	274,630	367,888
		Deposits			361,656	91,664
Mother Lanka Foundation	Director	Loans and advances		525	–	309
		Deposits			4,756	2,913
CBC Tech Solutions Limited	Chairman	Loans and advances		250	–	7
		Off-balance sheet accommodations		–	–	4,506
		Deposits		–	193,568	295,306
Arthur C Clarke Institute for Modern Technologies	Member, Board of Governors	Deposits		–	27	27
(b) Mr S Muhseen						
Amana Takaful Life PLC	Deputy Chairman	Deposits		–	7,301	6,699
CBC Finance Ltd.	Chairman	Loans and advances		3,375,550	2,155,550	2,266,942
		Deposits		–	94,099	78,609
David Pieris Holdings (Pvt) Ltd	Director	Loans and advances		1,030,400	500,378	–
		Off-balance sheet accommodations		650,000	–	–
		Debentures		–	350,000	–
Gestetner of Ceylon PLC	Director	Loans and advances		20,100	3,755	–
		Off-balance sheet accommodations		102,698	12,051	–
		Deposits		–	2,766	–
(c) Mr S C U Manatunge						
Commercial Development Company PLC	Managing Director	Loans and advances		60,092	60,092	71,423
		Deposits		–	263,061	276,666
Commercial Bank of Maldives Private Limited	Deputy Chairman	Off-balance Sheet Accommodations		680,925	680,925	734,000
		Deposits		–	812,009	768,801
The Employers' Federation of Ceylon	Council Member	Deposits		–	79,409	–
		Debentures		–	6,820	–
Credit Information Bureau of Sri Lanka	Director	Deposits		–	95	–
(d) Mr L D Niyangoda						
A. Baur & Co (Pvt.) Ltd.	Chairman	Loans and advances	} Combined Limits available	5,450,000	4,613,000	4,495,634
		Off-balance sheet accommodations		10,050,000	5,379,217	3,947,700
		Deposits		–	5,689,057	5,221,681
(e) Ms N T M S Cooray						
Ceylon Tea Brokers PLC	Non-Executive Director	Deposits		–	5,550	4,898
Jetwing Hotels Limited	Director	Deposits		–	5,787	3,801
Negombo Hotels Ltd.	Director	Deposits		–	3,747	3,222
The Lighthouse Hotel PLC	Executive Director	Deposits		–	17,605	22,973
Jetwing Travels (Pvt) Ltd.	Chairman/Managing Director	Loans and advances		31,500	340	190
		Off-balance sheet accommodations		100,000	30,384	93,895
		Deposits			2,817,807	2,347,275
Jetwing Air (Pvt) Ltd.	Director	Loans and advances		20,000	–	–
		Off-balance sheet accommodations		165,000	100,141	104,666
		Deposits		–	351,854	150,487
Jetwing Hotel Management Services (Pvt) Ltd.	Director	Deposits		–	26	26
Allianz Insurance Lanka Ltd.	Independent/Non-Executive Director	Deposits		–	17,337	27,374

Director/Company	Relationship	Accommodation granted/Deposits	Current limit			Balance/outstanding		
			as at December 31, 2023	as at December 31, 2023	as at December 31, 2022	as at December 31, 2023	as at December 31, 2022	as at December 31, 2022
			Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Go Vacation Lanka Co. (Pvt) Ltd.	Director	Deposits	-	22,981	4,088			
Allianz Life Insurance Lanka Ltd.	Independent/Non-Executive Director	Deposits	-	465	491			
Yarl Hotels (Pvt) Ltd.	Director	Deposits	-	12	27			
Jetwing Symphony PLC	Executive Director	Deposits	-	1,383	211,450			
Capital Alliance Holdings Ltd.	Director	Deposits	-	6,290	1,880			
Saman Villas Ltd.	Director	Deposits	-	897	456			
(f) Ms J Lee								
DBS Bank Ltd.	Director	Off-balance sheet accommodations	12,970,000	2,807,600	-			
(g) Mr R Senanayake								
Senkadagala Finance PLC	Chairman	Loans and advances	6,400,000	3,699,912	2,933,270			
		Deposits	-	1,652,802	2,045,302			
		Debentures	-	6,960	6,960			
Virtual Capital Technologies (Pvt) Ltd.	Director	Deposits	-	11	17			
(h) Dr S Selliah								
Asiri Hospital Holdings PLC	Deputy Chairman	Loans and advances	1,567,214	1,754,311	2,436,856			
		Off-balance sheet accommodations	305,000	-	-			
		Deposits	-	4,714	15,434			
Asiri Surgical Hospital PLC	Deputy Chairman	Loans and advances	447,142	447,327	227,682			
		Off-balance sheet accommodations	305,000	-	-			
Central Hospitals Ltd.	Deputy Chairman	Loans and advances	886,628	879,797	1,333,652			
		Deposits	-	42,851	745			
Lanka Tiles PLC	Director	Loans and advances	200,000	-	-			
		Off-balance sheet accommodations	400,000	85,167	-			
		Deposits	-	690,130	482,778			
ACL Cables PLC	Director	Deposits	-	7,446	736			
Lanka Walltiles PLC	Director	Loans and advances	2,520,000	2,954,904	1,056,852			
		Off-balance sheet accommodations	730,000	185,670	205,630			
		Deposits	-	31,756	53,224			
Cleanco Lanka (Pvt) Ltd.	Chairman	Loans and advances	250	-	24			
		Deposits	-	147,115	215,853			
Swisstek (Ceylon) PLC	Director	Deposits	-	11,893	9,039			
JAT Holdings PLC	Chairman	Loans and advances	68,200	1,084,120	924,515			
		Off-balance sheet accommodations	1,689,190	284,666	415,117			
		Deposits	-	37,430	44,647			
		Debentures	-	24,220	6,960			
Arunodhaya (Pvt) Ltd.	Director	Loans and advances	55,000	-	-			
		Deposits	-	55	52			
		Debentures	-	4,430	4,430			
Arunodhaya Industries (Pvt) Ltd.	Director	Loans and advances	55,000	-	-			
		Deposits	-	55	52			
		Debentures	-	4,430	4,430			
Andysel (Pvt) Ltd.	Chairman	Loans and advances	47,000	-	-			
		Deposits	-	55	52			
Vydexa (Lanka) Power Corporation (Pvt) Ltd.	Chairman	Deposits	-	1,586	-			
Arunodhaya Investments (Pvt) Ltd.	Director	Loans and advances	55,000	-	-			
		Deposits	-	55	52			
		Debentures	-	4,430	4,430			
(i) Mr S Prabagar								
Commercial Bank of Maldives Private Limited	Director	Off-balance Sheet Accommodations	680,925	680,925	734,000			
		Deposits	-	812,009	768,801			
CBC Myanmar Microfinance Company Limited	Director	Off-balance Sheet Accommodations	324,250	324,250	-			

Risk governance and management

Managing risk in turbulent times

In 2023, the Sri Lankan economy showed signs of stabilising after the formidable challenges lingering since 2020. This revival was considerable political stability, pivotal reforms, including the introduction of cost-reflective utility pricing, innovative revenue strategies, and tightened monetary policies. Notably, inflation receded to single digits by July 2023, marking a positive trend. Key economic indicators including a resurgence in tourism, an upswing in trade and worker remittances, ongoing external debt service suspension, increased development inflows, and a better trade balance owing to import restrictions contributed significantly to bolstering official reserves. Anomaly between the Prime Lending Rate and interest rates on Government Securities coupled with lacklustre demand for private sector credit, especially in the first half of the year, and absence of alternative investment opportunities for excess funds caused the banks' exposure to the Government of Sri Lanka to increase further. Amid a global turbulent landscape – marked by the post-pandemic recovery challenges, the Ukraine-Russia conflict, increased hostilities between Israel and Palestine, escalating global inflation, climate-induced disasters, disruptions in food and energy supply chains, cyber threats, and shifts in the dominance of the US Dollar—the global economic growth demonstrated resilience despite a sluggish pace.

A detailed analysis of the global and local operating environment that provided context to the Bank's performance in 2023 and efforts in the sphere of risk governance and management is given in operating context and outlook on pages 48 to 53.

The Integrated Risk Management Department (IRMD) went through the challenge of managing the increased risk levels within the risk appetite, while at the same time supporting innovation and growth and delivering the desired results for stakeholders.

The IRMD diligently monitored and managed risks within acceptable thresholds, striving to strike a balance between risk mitigation and the Bank's organisational objectives. The lending portfolio of the Bank continued to face heightened credit risks with rising defaults leading to a gradual deterioration of the asset quality. The Bank retained substantial investments in government securities amidst sluggish private sector credit growth, impacted by defaults in debt repayments, continued credit moratoria and increased interest rates.

Moreover, the discrepancy in interest rates between government securities and private credit lending creates a more favourable environment for Banks to invest more funds toward government securities. However, the Bank did see an increase in consumption-based lending especially related to pawning. Market risks were relatively contained with gradual decrease in interest rates and improved foreign currency liquidity supported by import restrictions, rising tourist arrivals, and remittances. Operational risks surfaced due to suspect practices such as money laundering, terrorist financing and other contentious behaviours. The escalation of cyber risks due to surge in cybercrimes and system interruptions/ failures etc. posed additional challenges. Subdued earnings resulting from stressed economic conditions raised strategic risks impacting capital adequacy, credit ratings, and dealings with international counterparties, growing urgency to pivot the conventional business model.

Despite the risk landscape undergoing rapid changes and the resultant significant stresses, the Bank operated with utmost vigilance and maintained operational resilience during the year by being incisive, adaptable, and innovative in managing the many risks associated with the business model. Introduction of the Sustainability Framework (Refer page 54) helped the Bank identify and account for new risks in areas such as diversity, equity, and climate change as environment, sustainability, and governance (ESG) issues are brought to the heart of the corporate landscape. The Bank's fundamental guiding imperative of prudent growth has allowed it to remain a stable and responsible value creator throughout, empowering its stakeholders to meet their financial ambitions. Pragmatic exercises of conducting risk-control self-assessments, regular evaluations of risk management processes and tools, probing the Key Risk Indicators (KRIs) in relation to the traffic of risks, introduction of additional risk reviews, testing business continuity and disaster recovery plans, and the strict compliance to laws, regulatory guidelines, and internal controls in all areas of the business operations helped the Bank manage risks commendably.

In relative terms, the success of these efforts is evident from the moderate risk profile the Bank has been able to maintain in line with its risk parameters (Refer Table 47 on page 235) and the results of operations and the financial position as given in the financial statements published in this Annual Report.

Business model and risk

As a commercial bank, the Bank's business operations revolve around the two primary activities of financial intermediation and maturity transformation (see Business Model for Sustainable Value Creation on pages 54 to 61 for more information). As a result, the Bank has been able to function with an on-balance sheet asset base of Rs. 2,580.33 Bn. as of December 31, 2023, having geared its capital of Rs. 214.93 Bn. 12 times. The increased degree of gearing exposes the Bank to a variety of risks, which typically include credit risk, operational risk, and market risk in that order based on the amount of capital allocated in accordance with the Basel capital adequacy standards. In addition, a number of ancillary risks have emerged as a result of various developing trends, endangering the Bank's business model (Refer page 53 for a summary of such emerging events). These risks together with the events mentioned in the preceding paragraphs, may significantly affect nearly all of the Bank's primary risk categories. However, the Bank was able to manage the related risks, optimise the trade-off between risk and return, maintain stability, retain the trust of its stakeholders - depositors in particular - and continue creating sustainable value due to the robust risk governance framework and the rigorous risk management function in place.

Objectives

The primary objectives of the Bank's risk governance framework and risk management function include:

- Establishing the necessary organisational structure for risk management and oversight;
- Defining the desired risk profile in terms of risk appetite and risk tolerance levels;
- Institutionalising a positive risk culture within the Bank that embodies values, beliefs, attitudes, and practices to drive highly effective risk decisions;
- Assigning functional responsibility for decisions relating to accepting, transferring, mitigating, and minimising risks and recommending the best ways of doing so;
- Evaluating the risk profile against the approved risk appetite on an ongoing basis;
- Estimating potential losses that could result from plausible risk exposures;
- Conducting regular stress tests to make sure that the Bank has enough liquidity and capital buffers to meet unexpected losses and fulfill contractual obligations;

- Integrating risk management into the development and implementation of strategies;
- Ensuring the effective use of available capital to generate the best possible risk-return trade-off; and
- Encouraging improved communication of risk among all levels of the Bank.

Key challenges to risk management in 2023

The key challenges in 2023 from a risk management perspective are detailed below:

- **Low demand for Credit** – the overall demand for private sector credit continued to remain subdued during most part of the year under review due to the dampened economic conditions and high rates of interest that prevailed during the first half of the year. With a pickup in credit growth commencing from May 2023, the total loans and advances portfolio recorded a marginal growth of 4.27% as at December 31, 2023 over the previous year end.
- **Heightened Credit Risk** – The borrowers' ability to repay debt continued to be negatively impacted by high interest rates and challenging economic conditions that overflowed from the previous year. Various schemes of moratoria that were given to borrowers in certain industries continued in 2023, but came to an end by December 2023. All these factors taken together, the Bank continued to witness a heightened level of credit risk.
- **Provisioning for Government Securities** – While the Domestic Debt Optimisation was finalised and a plan for settlement of Sri Lanka Development Bonds (SLDBs) was agreed during the year without much impact, the banks continued to increase impairment provisions on their investments in Sri Lanka Sovereign Bonds (SLSBs) in anticipation of higher loss rates. Accordingly, the Bank increased impairment provision on SLSBs by Rs. 27.0 Bn., (with the exchange rate impact), bringing the cumulative provision to Rs. 95.9 Bn. as at December 31, 2023.
- **"Masked" credit risk** – This refers to the exposure of the Bank to a form of financial risk wherein certain aspects of a borrower's credit risk profile are concealed or not fully transparent, influencing the overall determination of the borrower's creditworthiness. The Bank has been compelled to safeguard borrowers' privacy and mitigate bias or discrimination during lending decisions. The consequences of masked credit risk are extensive, potentially leading to a false sense of security within

the Bank and consequently, a lack of transparency in financial reporting. This exposure places the Bank at risk of capital misallocation, losses resulting from unforeseen defaults, and even fraudulent activities, posing a significant threat to its reputation.

- **Managing the exchange rate risk** – With a significant proportion of both assets and liabilities being denominated in foreign currency and with operations in several countries, sharp fluctuations in exchange rates can have a notable impact on the profitability as well as the financial position of the Bank. Following the unprecedented depreciation from Rs. 200 to Rs. 367.00 against the US Dollar in 2022, the Sri Lankan Rupee settled down at Rs. 324.25 as at end 2023. However, continued stability in exchange rates is contingent upon many variables such as continuation of the IMF programme, achieving milestones in relation to debt sustainability, growth in worker remittances and tourist arrivals.
- **Challenges in balance sheet management** – Managing the balance sheet continued to be challenging due to the Bank having to make significant investments in government securities as a result of the lower demand for credit over the past four years. The Board and the Management level committees, including the ALCO, the Board Investment Committee, and the Board level, engaged in lengthy deliberations before making investment and re-investment decisions. After much discussion, solutions for managing investment risk, interest rate risk, liquidity risk, and foreign exchange risk were developed. These moves helped efficient management of the balance sheet. Reinvestment risk in government securities was given particular consideration.
- **Increased cyber security risk** – The potential for cyber security assaults continues to increase due to clients' growing reliance on digital banking products and services and the increasing levels of automation of internal operations for operational efficiency. Therefore, in order to avoid related remediation expenses and reputational damage, the Bank prioritised and fortified its cyber security programs.
- **Increased compliance risk** – In the wake of increasing compliance requirements and regulatory scrutiny coupled with growing complexity of operations, compliance teams continued to engage with the risk management team to ensure compliance

with regulatory requirements to prevent any financial impact and regulatory sanctions due to non-compliance and avoid reputational risk.

Key risk management initiatives adopted in 2023

In the wake of the aforementioned challenges, the Bank implemented various initiatives during the year to manage risks which, among others, included the following:

Classification / declassification of Risk Elevated Industries (REIs) – IRMD continued to independently classify / declassify industry sectors that are identified as susceptible to business cycles and could face higher negative impact during times of recession or negative economic growth ("Risk Elevated Industries or REIs"), thereby strengthening the underlying governance framework. This was done through analysis of stress levels of borrowers in the Bank's loan book and their industries, taking into account macro and micro variables such as GDP growth, account operations / days past due position, early warning signals etc.

Strengthening individual impairment – In order to comply with the regulatory guidelines, further strengthen the process and enhance accuracy of related provisioning, IRMD commenced an independent review of credit facilities and borrowers subjected to individual impairment, on a quarterly basis. This involves a review of cash flow projections done by the business units to determine how objectively such projections have been made, based on the knowledge of the industry and borrowers IRMD possesses and challenge the business units wherever the conclusions significantly differ. The effectiveness of this review is evident from the gradual improvement of cash flow projections leading to improved back testing results. Hence, the further strengthening of impairment provisioning against credit exposures of Individually Significant Customers.

Risk management as an enabler in business innovation – IRMD is not merely about risk prevention; it acts as a catalyst for business innovation and helps the Bank maintain the optimum balance between risk and return. It takes on this role, for example, by identifying Risk Elevated Industries - sectors vulnerable to risks - and assisting them to manage their activities. Additionally, IRMD enhances credit risk rating mechanism of financial subsidiaries/ associate companies, ensuring alignment with industry standards.

Expanding the use of the Early Warning Signals (EWS) mechanism

– The Early Warning System (EWS) framework has significantly aided the Bank in promptly identifying credit risk by using sophisticated analytical tools with predictive capabilities to anticipate potential defaults among borrowers. This capability has enabled the Bank to take pre-emptive measures to mitigate credit losses. Moreover, the system tracks the correlation between the risk assessments made during credit evaluation and the eventual classification of these facilities as Non-Performing Credit Facilities (NPCF). Additionally, it has bolstered underwriting standards for high-risk proposals. To reinforce this process, an EWS Health Council has been established.

Implementing RCSA in all IT related processes

– The Bank implemented a quarterly Risk and Control Self-Assessment (RCSA) process in all business units responsible for technology driven banking products and services such as payment cards and electronic banking, and information technology and information security, as required by the CBSL Direction No. 16 on Regulatory Framework on Technology Risk Management and Resilience for licensed commercial banks. This RCSA process is monitored by the IRMD.

FCY Liquidity Contingency Plan

– Further refined the foreign currency (FCY) liquidity contingency plan based on lessons learned during 2022 and early part of 2023 with regard to FCY liquidity. The Bank also extended the monitoring process to Bangladesh for both the Bangladesh Taka and the US Dollar.

Improving alignment with Social and Environmental Management System (SEMS)

– enhanced the alignment with social and environmental dimensions by incorporating climate aspects into the Bank's SEMS risk assessment introduced in 2010. The Bank is in the process of drawing a Climate Risk framework with the assistance of a third party focusing on the Bank's carbon footprint against the country's net zero targets. The Bank is also looking to lend towards sectors that contribute to a reduction in GHG emissions.

Green Financing Policy – The Bank identified green financing as an area of strategic focus and engaged the services of International Finance Corporation (IFC) in 2017 to assist in developing the Green Financing strategy for the Bank. Ever since, Green Financing has become well integrated in to the corporate strategies of the Bank. Given that it is a continuously evolving subject and hence, the need to align the

Bank to suit the global standards as well as local regulations and requirements, the Bank developed a Green Financing Policy during the year.

Group Social and Environmental Policy

– Updated the Group Social and Environmental Policy by incorporating Green Financing Policy to the list of other aligned policies, viz. Social and Environmental Risk Management Procedure(s), Credit Policy and Lending Guidelines, committing to the principle of "Do No Significant Harm to the environment" to be in line with the Sri Lanka Green Financing Taxonomy, May 2022 and to acknowledge the Bank's commitment towards emerging financial risks posed by climate change and climate risk assessment.

Updating the BIRMC Charter for Financial Consumer Protection Regulations

– Updated the Board Integrated Risk Management Committee (BIRMC) Charter to include responsibilities for reviewing, approving, and providing oversight for the Financial Consumer Protection Regulations Framework of the Bank and periodic evaluation on the adequacy of controls to ensure that an appropriate monitoring mechanism is in place to ensure compliance with the Financial Consumer Protection Regulations.

Climate risk-based value generation

– With a view to be the pioneer in climate risk-based value generation by embracing a robust ESG framework in support of Sustainable Banking Initiatives of the Bank by 2025, the Social and Environmental Risk Unit of the IRMD together with the Sustainability Banking Unit and the Investment Banking Unit initiated efforts to obtain global best practices/tools to be implemented in the Bank and become a beneficiary of concessionary financing. In this regard, the Bank commenced a pilot project to analyse the portfolio for climate risk.

Establishment of the Executive Sustainability Committee

– To fortify the governance structure within the Bank and ensure a steadfast commitment to sustainability, the Bank established the Executive Sustainability Committee, which will play a pivotal role in steering the sustainability agenda and overseeing its implementation. The Committee convenes quarterly, providing a robust platform for strategic discussions, decision-making, and the alignment of the practices with global and national sustainability frameworks. The establishment of this Committee underscores the Bank's dedication to improve our sustainability practices and maintain the highest standards in sustainable banking.

Streamlining customer complaint handling

– customer complaint handling process was streamlined by implementing the customer complaint management system to improve customer satisfaction and enable better resolution of their grievances.

Strengthening cyber security

– the Bank conducted ongoing independent risk evaluations and monitored its IT risk profile based on the established key IT risk indicators. The performance of the Commercial Bank of Ceylon PLC was ranked as 'Excellent' at TechCERT's annual Cyber Security Drill 2023.

Improve the scope of Privilege Access Monitoring (PAM)

– Commenced review of high priority systems with a view to onboard them to the PAM tool, arrange a mechanism to obtain native logs where any system cannot be onboarded due to the Bank not having application level access and to prepare scenarios to be checked.

Data Governance – In order to comply with the requirements of Banking Act Directions No. 16: Regulatory Framework for on Technology Risk Management and Resilience for Licensed Banks and to fulfill the obligations of the Bank in terms of the Personal Data Protection Act which came into effect from September 2023, the Bank took the several steps during the year. These included the introduction of a Data Protection Impact Assessment, development of a Board approved Data Governance Policy, appointment of a Data Protection Officer and creating awareness on the subject among several layers of the Management and the Board, putting in place the required framework to ensure compliance at the respective line of defence.

Policy for Continuous Professional Development

– As mandated by the Banking Act Directions No. 16: Regulatory Framework for on Technology Risk Management and Resilience for Licensed Banks, the Bank developed a Policy for Continuous Professional Development (CPD) for Information Security, Technology Risk Management and Internal Audit Functions, during the year. The Policy has set out the applicable departments, CPD requirements, qualifying CPD activities, and submission of CPD details for assessment.

Contribution of the BIRMC – Throughout the year, the BIRMC too diligently discharged its duties by reviewing and addressing all the significant risk categories. The focus for 2023 was on managing the deteriorating credit quality in various industries due to challenging operating conditions. The Committee evaluated affected sectors and made strategic decisions to optimise growth,

profitability, and asset quality in light of economic changes. It reviewed and approved parameters and limits, implemented the Data Governance Policy Framework, and monitored risk metrics regularly. The BIRMC recommended improvements to the Risk Management Framework, revised the Terms of Reference for Management Committees, and deliberated on operational efficiency and disruptions. It also oversaw the Bank's Recovery Plan, assessed the impact of unusual market movements, and ensured the effectiveness of the risk management and compliance functions. The BIRMC took action against failures in risk management and continuously monitored the risk profiles of subsidiaries, Sustainable Banking Initiatives, and Business Continuity and Disaster Recovery plans. Additionally, findings from the bi-annual Risk Control Self-Assessment exercise were thoroughly reviewed.

Details of specific activities undertaken by the BIRMC during the year to further risk governance and risk management are given in its report on page 199 and 200 of this Annual Report.

Risk appetite and risk profile

The Board-endorsed Risk Appetite Statement outlines the types and degrees of risks, and the maximum amount of aggregate risk exposure that the Bank is willing to assume at any given point in time. It quantifies risk thresholds across various indicators for each risk category, showing the Bank's preferred asset quality, maximum market and operational risk losses and minimum capital and liquidity requirements. This statement considers the dynamic operating environment, regulatory requirements, strategic focus, ability to withstand losses, and stress scenarios with available capital, funding, liquidity, and the strength of the risk management framework.

Regular reports from the risk management function to the Management, BIRMC, and the Board detail the Bank's overall risk status using Key Risk Indicators and a Risk Profile Dashboard. This information allows for continuous monitoring of the risk profile, ensuring adherence to the approved risk limits. Swift corrective measures are taken for any deviations to maintain actual risk exposures within the approved risk appetite.

The Bank's risk profile is shaped by its capital adequacy and liquidity positions, which determine its capacity to take on risks. It is characterised by a portfolio of high-quality assets and stable funding sources diversified across geographies, sectors, products, currencies, sizes, and tenors. The risk profile of the Bank's Sri Lankan operations as of December 31, 2023, and December 31, 2022 in comparison to the defined risk appetite by regulatory/Board-approved policies, is presented below:

Risk profile

Table – 47

Risk category	Key Risk Indicator	Policy parameter	Actual position	
			December 31, 2023	December 31, 2022
Credit risk:				
Quality of lending portfolio	Impaired loans Stage 3 ratio (%)	2 – 5	5.85	5.25
	Impairment (Stage 3) to Stage 3 loans ratio (%)	40 – 45	43.22	39.60
	Weighted average rating score of the overall lending portfolios to be better than '6' (%)	35 – 40	80.89	51.14
Concentration				
	Loans and advances by product – Highest exposure to be maintained as a percentage of the total loan portfolio (%)	30 – 40	35.40	37.78
	Advances by economic sub sector (using HHI-Herfindahl- Hirschman-index)	0.015 – 0.025	0.0136	0.0152
	Exposures exceeding 5% of the eligible capital (using HHI)	0.05 – 0.10	0.0095	0.0096
	Exposures exceeding 15% of the eligible capital (using HHI)	0.10 – 0.20	0.0049	0.0087
	Exposure to any sub sector out of total loan portfolio to be maintained at (%)	4 – 5	3.18	4.05
	Aggregate of exposures exceeding 15% of the eligible capital (%)	20 – 30	15.04	19.61
Cross border exposure	Rating of the highest exposure of the portfolio on S&P Investment Grade – AAA to BBB-	AA	AAA	AAA
Market risk:				
Interest rate risk	Interest rate shock: (Impact to NII as a result of 100bps parallel rate shock for LKR and 25bps for FCY)	Maximum of Rs. 2,000 Mn.	Rs. 100.79 Mn.	Rs. 392.20 Mn.
	Maximum repricing gap (RSA/RSL in each maturity bucket – up to one- year period)	<1-1.5 Times	0.99	1.36
Liquidity risk	Liquid Asset Ratio for Domestic Banking Unit (DBU)	22%	46.40%	35.01%
	Liquidity Coverage Ratio (LCR) for All Currencies	100%	516.27%	293.91%
	Net Stable Funding Ratio (NSFR)	100%	193.70%	173.58%
Foreign exchange risk	Exchange rate shocks on Total FCY exposure	Rs. 750 Mn.	Rs. 602.23 Mn.	Rs. 725.73Mn.
Operational risk	Operational loss tolerance limit (as a percentage of last three years average gross income)	3% – 5%	0.23%	0.86%
Strategic risk:				
	Capital adequacy ratios:			
	CET 1	Over 8.5%	11.442%	11.389%
	Total capital	Over 14%	15.151%	14.657%
	ROE	Over 15%	9.78%	12.46%
	Creditworthiness – Fitch Rating	AA(lka)	A(lka)	A(lka)

RSA – Rate Sensitive Assets, RSL – Rate Sensitive Liabilities)

Credit rating

Fitch Ratings Lanka Ltd. downgraded the Bank's rating from AA-(lka) with a Negative Outlook to A(lka) in January 2023 amidst the sovereign downgrade and recalibration of the Fitch Ratings' Sri Lanka's national rating scale. A Stable Outlook with A(lka) rating was affirmed by Fitch in October 2023. Change of rating outlook from Negative to Stable was largely due to ease in downside risks for the banking sector with upgrades to Sri Lanka's Long-Term-Local-Currency Issuer Default Rating to CCC- from RD (Restricted Default).

Further, the successful conclusion of the local currency sovereign debt restructuring has alleviated some pressure on the Bank's capital position from weakening loan quality and increased provisioning for Sri Lanka Sovereign Bonds.

Future outlook and plans for 2024 and beyond

The tumultuous economic conditions somewhat eased during 2023 compared to the precedent year. The resulting risk impacts on the Bank and how the Bank navigated through them are elaborated in the preceding sections of this risk management report. The CBSL and research institutions, have expressed a moderate recovery for the Sri Lankan economy for 2024. In the local front, some confidence was evident in hard hit sectors such as tourism in the form of notable increase in foreign tourist arrivals. Renewed confidence, though small comparatively, motivated expatriates to increase foreign remittances. Yet, Sri Lanka continued to struggle amid low tax income and high debt burden. The Government is yet to agree on the way forward for sovereign debt restructuring.

The world economy is showing signs of a very delicate balance with political tensions between nations threatening to disrupt world peace. Furthermore, increase in prices of essential commodities, disruptions to supply chains, global inflation, food insecurity, and increasing incidents due to climate change, increasing incidents of financial crimes, cyber-security breaches, negative impacts of misinformation/ disinformation, continue to threaten the outlook for 2024.

In the aftermath of climate change-induced disasters and the growing awareness of sustainable finance, both governments and businesses consider managing climate risks a paramount concern. The initiatives undertaken by the Bank in the past years are laying the groundwork for a more systematic

and sustainable approach to business. It is expected that risks will become more unpredictable, increase in magnitude, and become interconnected. The Bank needs to be mindful of the interrelated nature of risks and the potential for contagion effects, where one risk sets off a ripple effect on many others.

Conversely, regulatory requirements are anticipated to become more stringent due to the emerging complexities of the economy and challenges to the industry. Further, Sri Lanka is preparing for the upcoming Financial Action Task Force (FATF) Mutual Evaluation scheduled for March 2025. It is crucial to attain technical compliance with the FATF's 40 Recommendations and guarantee positive outcomes in the implementation of an Anti-Money Laundering/Countering the Financing of Terrorism framework. Hence, regulations pertaining to issues such as anti-money laundering and sanctions are likely to take a prominent role. Consequently, enhanced integrated risk management methodologies and systems will be crucial in the upcoming years. The cost of doing business, in terms of managing risks and ensuring compliance, is expected to rise accordingly. The consequences of non-compliance or the realisation of an unforeseen risk would be more challenging.

These circumstances require an enhanced focus on fortifying risk governance, assessment, control and management functions. Proactively anticipating risks and implementing preventive measures to counter potential adverse effects will be crucial in this environment. The swift progress in technology, particularly the utilisation of Artificial Intelligence (AI) and Business Intelligence (BI) for driving business innovations, will continue to hold significance in the times ahead. Consequently, the Bank will explore opportunities arising from these innovations to foster business growth and effectively handle the complex risks associated with these advancements. The role of risk management will be to facilitate business growth by offering proactive and forward-thinking risk management strategies, serving as a genuine catalyst for business development.

The future landscape of risk management will be heavily influenced by growing new regulatory requirements, cyber threats, prominence of cyber threats and customer expectations. The Bank is gearing itself to leverage technology and enhance collaboration to address these influences by

heightening its focus on advanced digital predictive capabilities, data analytics and intelligence. In order to accelerate the journey to be future ready in this regard, the Bank entered into an agreement with an external party to obtain consultancy to develop a holistic view and adopt a scalable solution to achieve desired maturity.

Specific initiatives planned for 2024 and beyond in this regard will encompass:

- Development of a Data Analytics Roadmap with use cases for several business units to be implemented along with required training.
- Introducing predictive capabilities into credit risk and operational risk supported by EWS and data analytics. This would facilitate effective prediction of risks and streamline capital requirements for such risks.
- Introducing technology to independently predict future cash flows to further improve accuracy of impairment provisions relating to individually significant customers. This will enable the IRMD to assess the accuracy and acceptability of the assumptions used by the business units for cash flow projections. This initiative is expected to enable the IRMD to assess all the individually significant customers within the prescribed time horizon and improve acceptability from independent assessors' perspective as well.
- As part of the efforts to digitalise the Treasury operations through an integrated system encompassing trade finance, remittances, digital banking and a client interface, implementation of the new Treasury system will be completed in Q2 2024. This will enable the IRMD to independently monitor Treasury operations in both Sri Lankan and Bangladesh operations.
- Subsequent to the integration of the Risk Control Self-Assessment (RCSA) framework within CBC Myanmar Microfinance Company and Commercial Insurance Brokers Limited during the year 2023, Risk Management framework is planned to be implemented at Commercial Insurance Brokers (Pvt.) Ltd. in the year 2024.
- Enhancing the analytical capabilities of the EWS to capture retail lending (credit cards, personal loans and home loans) products in addition to SME lending and providing business units with EWS analysis for effective business decisions and objective business growth.

- Introduction of risk control mechanisms and processes through knowledge enhancement on critical IT systems adopted in the Bank and through benchmarked tools and effective software support.
- Introducing an intelligent Credit Risk Review (CRR) tool coupled with a workflow capability through a data repository to facilitate pattern recognition and proactive decision-making.
- Introducing behavioural decision-making models to selected retail lending products (credit cards and personal loans) through data analytic capabilities.
- Introducing a climate risk assessment tool in line with emerging global initiatives to continue the pioneering activities of driving the ESG agenda. The Executive Sustainable Banking Committee to develop an ESG framework, and identify, and assess ESG risks and opportunities of the Bank.
- Reviewing the pending regulation on large exposure limits which will impact the Bank as well as large borrowers of the Bank.
- Extending the scope of Bank's ISO 27001 Certification to encompass additional business functions in accordance with Banking Act Directions No. 16 of 2021.

Risk management framework

The Bank has a comprehensive Integrated Risk Management Framework (IRMF) developed according to CBSL guidelines and the Three Lines of Defence model. This framework considers the distinct roles of different Bank departments and how they collectively contribute to the Bank's risk management effectiveness. It is a structured approach encompassing all risk exposures, supported by robust organisational structures, systems, processes, procedures, and global best practices. It addresses potential risks, losses, and uncertainties faced by the Bank. Following the international standard of the Three Lines of Defence model, the IRMF equips the Bank with specialised skills and a framework to manage risks efficiently while balancing responsibilities across daily operations.

The IRMF undergoes an annual review or more frequent updates, particularly considering changes in regulatory and operational environments.

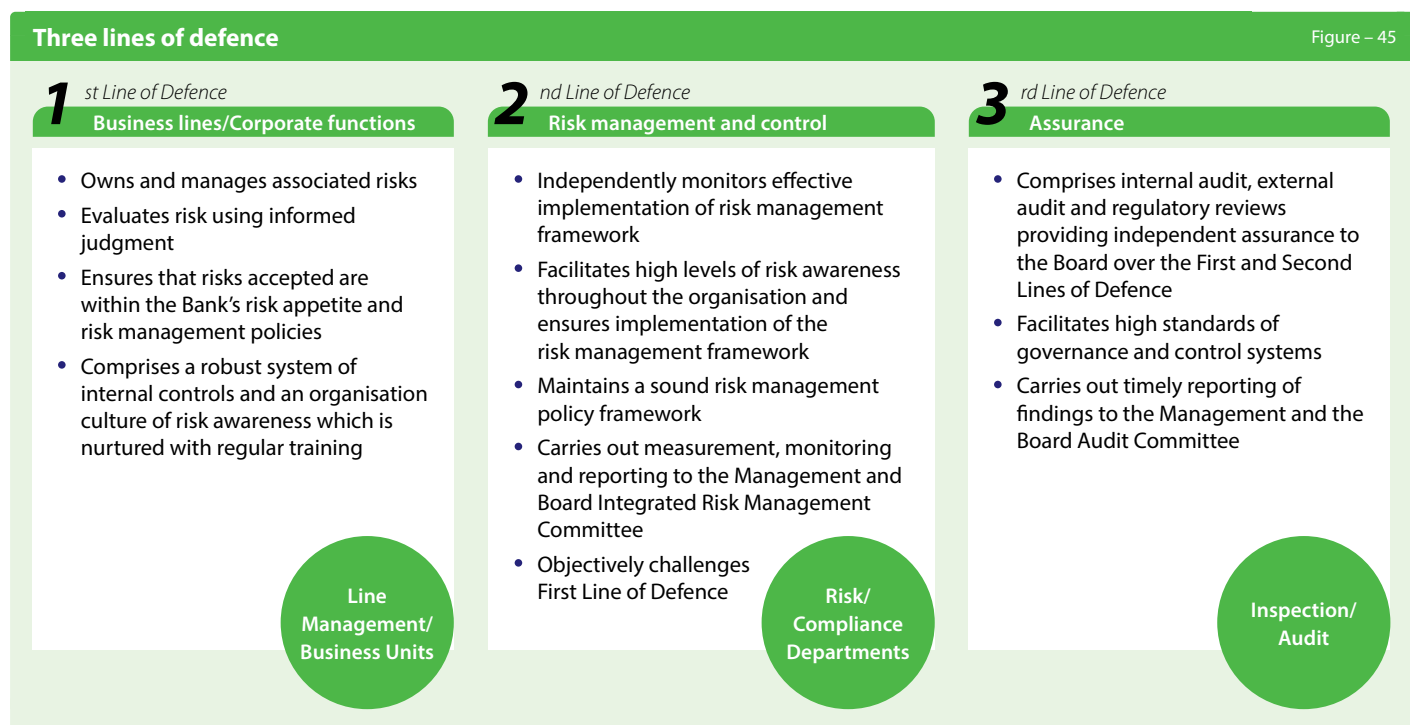
Risk governance

Risk governance represents the structured organisational setup aimed at upholding high standard of governance. It encompasses

committees, regulations, processes, and mechanisms guiding risk-related decisions aligned with the risk appetite and tolerance levels. Its goal is to embed a robust risk culture while overseeing and managing risks effectively.

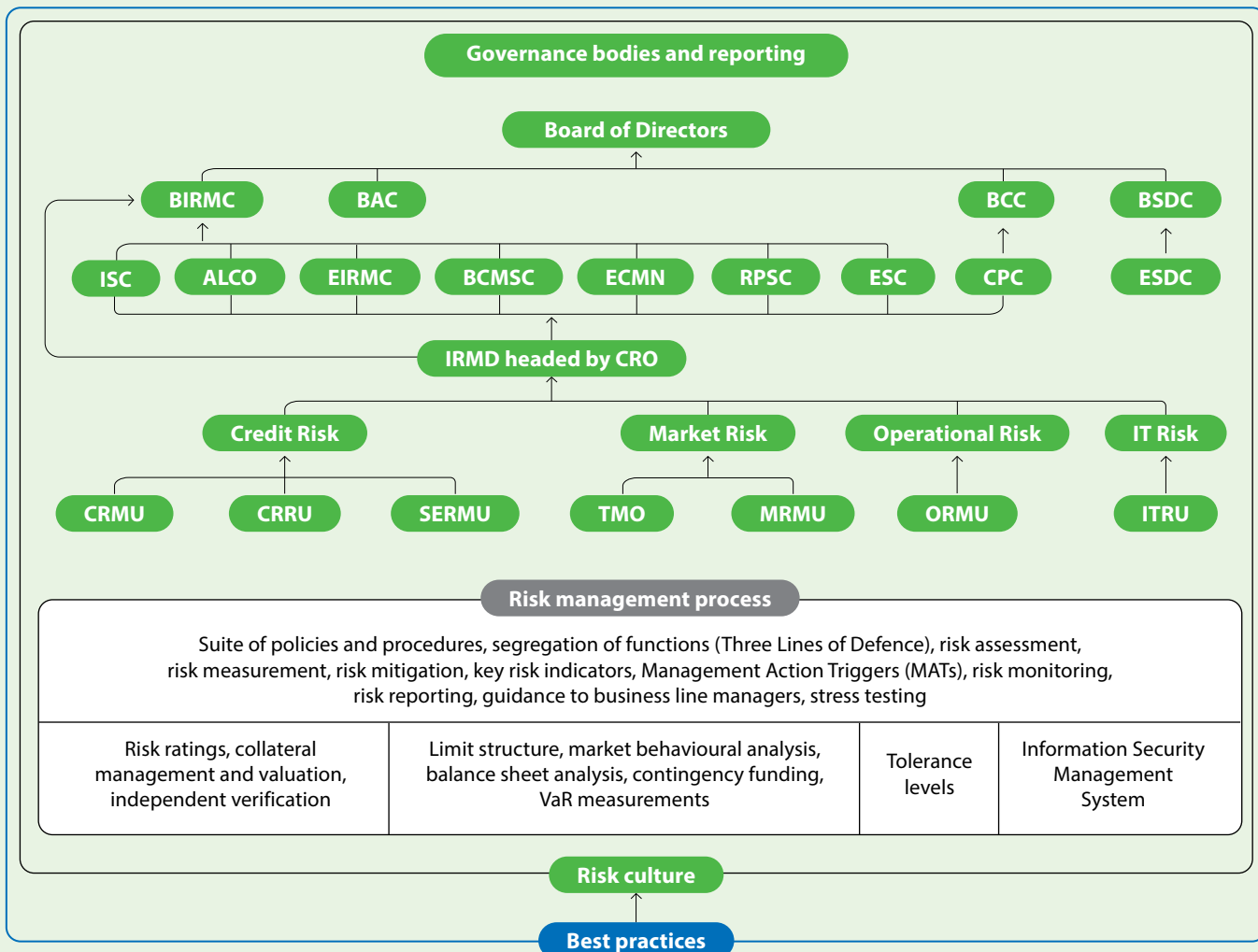
Implementing the Three Lines of Defence model fosters a responsible risk culture with clear accountability at every level. The Board of Directors has established a strong governance framework, blending corporate governance best practices with risk management. This structure, inclusive of Board committees, executive functions, and empowered executive committees, ensures accountability for risks across all Bank levels and types.

This disciplined approach to risk management is illustrated in the Bank's risk governance organisation outlined in Figure 46 on page 238. Decision-making in risk management, due to its specialised and cohesive nature, is somewhat centralised across various risk management committees to ensure an integrated and consistent approach.



Risk governance structure

Figure – 46



BAC – Board Audit Committee, **BIRMC** – Board Integrated Risk Management Committee, **BCC** – Board Credit Committee, **BSDC** – Board Strategy Development Committee, **ISC** – Information Security Council, **ALCO** – Asset and Liability Committee, **EIRMC** – Executive Integrated Risk Management Committee, **BCMSC** – Business Continuity Management Steering Committee, **ECMN** – Executive Committee on Monitoring NPAs, **CPC** – Credit Policy Committee, **ESC** – Executive Sustainability Committee, **ESDC** – Executive Strategy Development Committee, **IRMD** – Integrated Risk Management Department, **CRMU** – Credit Risk Management Unit, **CRRU** – Credit Risk Review Unit, **SERMU** – Social and Environmental Risk Management Unit, **TMO** – Treasury Middle Office, **MRMU** – Market Risk Management Unit, **ORMU** – Operational Risk Management Unit, **ITRU** – IT Risk Management Unit, **RPSC** – Recovery Plan Steering Committee, **ESC** – Executive Sustainability Committee

Board of Directors

The Board of Directors serves as the highest governing body, tasked with formulating strategy and policies, setting objectives, and overseeing executive functions. It bears the overarching responsibility for supervising the risks undertaken by both the Bank and the Group, ensuring their proper identification and management (Refer to pages 160 to 167 for detailed profiles of the members of the Board of Directors).

Hence, the Board establishes the risk appetite of the Bank by striking a balance between achieving strategic goals and the level of risk assumed in pursuit of those goals. Oversight responsibility has been delegated by the Board to various Board committees, as listed on page 181. These committees, supported by executive-level counterparts, collaborate closely with the executive functions to evaluate the effectiveness of the risk management function. They regularly

report their findings to the Board, providing a comprehensive view of the Bank's risk profile, management actions, and outcomes. This facilitates the Board in recognising risk exposures, identifying potential gaps, and implementing necessary mitigating actions promptly. The Board consistently guides the executive management in aligning business strategies and objectives with the desired risk levels. The ethical and effective leadership of the Board, coupled with the established

tone at the top and corporate culture, plays a pivotal role in effectively managing risks at the Bank.

Beyond the Three Lines of Defence model and the tone set by top management, the Bank places considerable emphasis on conducting its business ethically as a crucial aspect of risk management. The Bank's steadfast dedication and its demands on all employees to conduct business responsibly, transparently, and with discipline are clearly outlined in various documents. These include the Code of Ethics, Gift Policy, Communication Policy, Credit Policy, Anti-Bribery and Anti-Corruption Policy, and Conduct Risk Management Policy Framework. These documents underscore the expectation for the highest standards of honesty, integrity, and accountability from every employee.

Due to the potential for financial losses and reputational risk, and in compliance with regulatory requirements, the Board of Directors diligently oversees the risk profiles of all subsidiaries within the Group, in addition to that of the Bank (☐ Refer to page 142 for the list of subsidiaries.)

Board committees

The Board has established four Board committees to aid in fulfilling its oversight responsibilities for risk management and ensuring the sufficiency and effectiveness of internal control systems. These committees are:

- Board Audit Committee (BAC)
- Board Integrated Risk Management Committee (BIRMC)
- Board Credit Committee (BCC)
- Board Strategy Development Committee (BSDC)

Each sub-committee operates according to its Terms of Reference (ToR) and holds meetings at predetermined intervals and as needed. Through their discussions and evaluations, these committees review and provide recommendations to the Board on matters such as risk appetite, risk profile, strategy, risk management and internal control frameworks, risk policies, limits, and delegated authority.

For comprehensive information regarding the composition, Terms of Reference, authority, meeting details, attendance records, activities conducted during the year, and more, refer to the respective subcommittee reports on ☐ pages 195 to 235.

Executive Committees

The executive management holds the responsibility for implementing strategies and plans as per the mandates assigned to each committee by the Board of Directors. This is done while ensuring that the risk profile remains within the approved risk appetite. The Executive Integrated Risk Management Committee (EIRMC) consists of members from units overseeing credit risk, market risk, liquidity risk, operational risk, and IT risk. Led by the EIRMC, several committees have been established to address specific aspects of risk, facilitating comprehensive risk management across both the First and the Second Lines of Defence.

- Asset and Liability Management Committee (ALCO)
- Credit Policy Committee (CPC)
- Executive Committee on Monitoring Non-Performing Credit Facilities (ECMN)
- Information Security Council (ISC)
- Business Continuity Management Steering Committee (BCMSC)
- Executive Sustainability Committee (ESC)

The EIRMC actively communicates with the BIRMC to ensure that risk management activities align with the Integrated Risk Management Framework and that risks are managed within the specified parameters. Furthermore, the Chief Risk Officer directly reports to the BIRMC, emphasising the independence of the risk management function. Specifics regarding the composition of the executive committees can be found in the "Annual Corporate Governance Report" on pages 185 and 186.

Ensuring adequate presence in all major risk and control forums, the Chief Risk Officer, who is leading the Integrated Risk Management Division (IRMD), actively engages in the executive committees mentioned earlier, as well as in BIRMC, BCC and BAC meetings. The IRMD bears the responsibility of autonomously overseeing the compliance of the First Line of Defence with established policies, procedures, guidelines, and limits. Any deviations are to be escalated to the relevant executive committees. The IRMD also offers a comprehensive perspective on all types of risk to facilitate independent risk assessments by these committees. The findings are then shared with Line Managers and Senior Management, fostering effective communication of significant issues and prompting discussions and necessary actions.

Risk management

Risk management entails the functional responsibility of identifying, assessing, controlling, and mitigating risks. This includes formulating risk mitigation strategies, monitoring early warning signals (EWS), estimating potential future losses, and implementing measures to contain losses or transfer risk. The risk management framework (depicted in Figure 47) aids in devising and executing risk management strategies, policies, and procedures. This framework considers the strategic focus outlined in the Bank's Corporate Plan and its risk appetite.

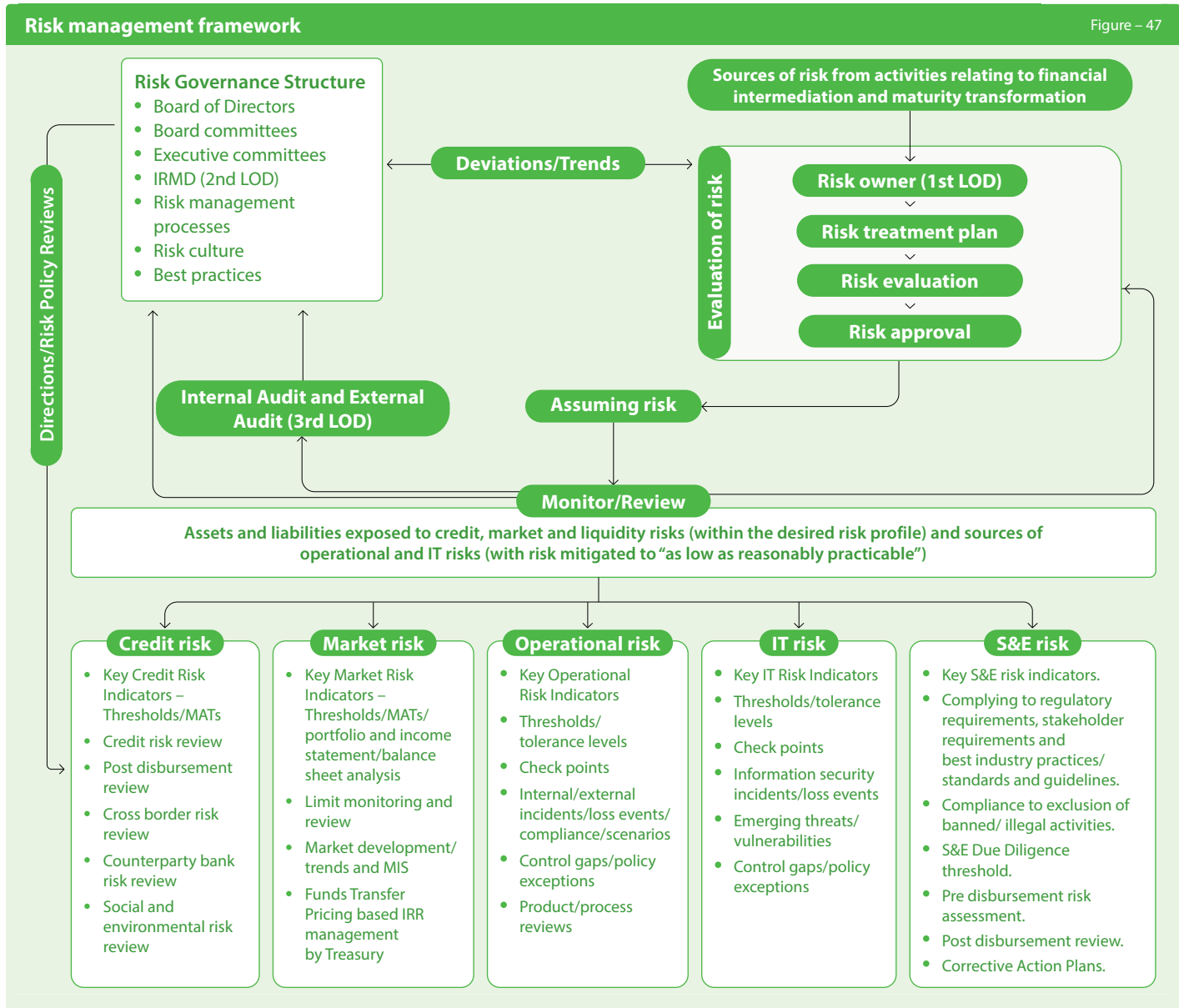
To bolster the detection and management of risks, the Bank has made substantial investments in developing and maintaining the necessary infrastructure, encompassing human and physical resources. This includes mandates, policies and procedures, limits, software, databases, expertise, communication channels, etc., aligning with international best practices. As risk management is a collective responsibility of every Bank employee, a clear understanding of the risks faced is crucial. The IRMD provides continuous training and awareness programs, particularly for risk owners, disseminating knowledge and enhancing skills on all aspects related to risk to instill the desired risk culture throughout the organisation.

Policies, procedures, and limits

The Bank has established a comprehensive set of risk management policies covering all managed risks. These policies serve to guide business and support units in risk management, ensuring regulatory compliance, including adherence to the Banking Act Direction No. 07 of 2011 – Integrated Risk Management Framework for Licensed Commercial Banks, based on the Basel Framework, and subsequent directives from the Central Bank of Sri Lanka (CBSL). By institutionalising the risk knowledge base, these policies aim to reduce bias and subjectivity in risk decisions.

Key documents, such as risk management policies, contribute to defining the Bank's risk culture by outlining objectives, priorities, processes, and the roles of the Board of Directors and the Management in risk management. The Risk Assessment Statement (RAS) establishes risk limits and is an integral component of the risk management framework. The BIRMC and the Board of Directors review the RAS at least annually, if not more frequently, aligning with regulatory and business requirements.

Considering the regulatory landscape in the countries where it operates, the Bank ensures its overall risk exposure, including international operations, remains within the CBSL's regulatory framework. Operational guidelines have been issued to facilitate the implementation of the Risk Management Policy and the limits outlined in the RAS. These guidelines provide staff with clarity on the types of facilities, processes, and terms and conditions governing the Bank's daily operations.



Risk management tools

The Bank employs a combination of qualitative and quantitative tools to identify, measure, manage, and report risks. The selection of the most appropriate tool(s) for managing a specific risk is determined by factors such as the likelihood of occurrence, potential impact, and data availability. Among the tools utilised are Early Warning Systems (EWS), threat analysis, risk policies,

risk registers, risk maps, risk dashboards, Risk and Control Self-Assessment (RCSA), Internal Capital Adequacy Assessment Process (ICAAP), diversification strategies, covenants, Social and Environmental Management System (SEMS), workflow-based operational risk management system, insurance, benchmarking against limits, gap analysis, Net Present Value (NPV) analysis, swaps, caps and floors, hedging, risk rating, risk scoring,

risk modeling, duration analysis, scenario analysis, marking to market, stress testing, and Value at Risk (VaR) analysis, among others.

Summary of key Risks

Figure – 48

		External				
Mitigation	Our objective	⬆	⬆	⬆	⬆	⬆
		Economic performance and trade cycles	Cyber threats	Increased regulations	Stability of fiscal and monetary policy	Other emerging risks
		Guiding business strategy and resource allocation communicated to business lines.	Specialised teams within the risk management function (in addition to the First Line of Defence) and continued investments in enhancing cyber security.	A dedicated compliance function and an independent internal audit function facilitate compliance.	Close monitoring of trends for possible ramifications on the economy and business strategy which could impact asset quality and profitability.	Offering unparalleled and unprecedented convenience by adopting the latest banking technology. Embedding Climate Risk assessment (physical risk and transition risk) under Social and Environmental Risk Assessment.
		Safeguard stable funding sources, asset quality and returns	Safeguard information and ensure business continuity	Dynamic approach to comply with regulations		To satisfy the rising expectations of stakeholders and to be future ready

		BANK					
		Internal					
Mitigation	Our objective	⬆	⬇	⬆	⬇	⬆	⬆
		Credit risk	People and operational risk	Market risk	Model risk	Liquidity risk	Social and Environmental Risk
		Safeguard the asset quality and reduce exposures to high risk segments	Creating an environment that enables performance while safeguarding the business	Safeguard against adverse movement of market factors arising from price sensitivities of funding sources, investments, lending or trading portfolios	Develop predictive capability to support the decision making process	Safeguard against funding constraints that prevent growth and meet demands of depositors/investors	Proactively safeguard against exposure to industries, sectors, or projects with significant negative social and environmental impacts, such as community displacement, pollution, human rights violations, or climate change.
		Robust and rigorous risk assessment and pricing of loans in line with risk appetite and collateral support	Succession plans, code of conduct and business ethics, competency, policy frameworks, segregation of duties and internal controls	Monitoring, predicting and controlling through stringent limits and Management Action Triggers	Assumptions based models and behavioural testing through internal/external independent validation	Retention and growth of a stable deposit base and tapping low cost funding sources locally and overseas, act as a buffer in addition to sound maintenance of the liquid asset portfolio to support contingencies	Robust social and environmental risk assessments followed by corrective action plans development and implementation by the borrowers.

⬆ Increasing trend in risk ⬇ Decreasing trend in risk ⬇ No significant change

Types of risks

The Bank faces a diverse range of both financial and non-financial risks, broadly classified into categories such as credit, market, liquidity, operational, reputational, IT, strategic, social & environmental, and legal risks. The collective impact of these risks determines the overall risk profile of the Bank, which is regularly monitored against the established risk appetite.

The Bank has implemented a robust risk management framework, allowing for the prudent management of these risks. Despite these measures, banks are not entirely immune to the substantial uncertainty stemming from external developments and internal factors, which will persistently influence their risk profiles. Ongoing vigilance and adaptability are essential in navigating the dynamic risk landscape.

External developments may include;

- The outbreak of pandemics
- Movements in macroeconomic variables
- Fragile supply chains
- Sovereign risk destabilising financial markets
- Political instability
- Demographic changes
- Changes in Government fiscal and monetary policies
- Technological advances
- Regulatory developments
- Mounting stakeholder pressures especially for ethical business practices
- Competitor activities
- Unsubstantiated information being circulated on social media and hence, the increased public scrutiny
- A decline in property market valuations giving rise to higher losses on defaulting loans
- Unfounded public perceptions that banks are exploiting customers
- Distressed businesses and individuals
- Downgrading of ratings of the banks and
- Growing sustainability concerns

In addition to restricting the physical mobility of individuals and global trade, these developments have the potential to influence

public perceptions, people's disposable income, demand for banking products and services, the funding mix, interest margins, and the tax obligations of the Bank.

Internal factors may include;

- High staff turnover
- Knowledge and skill gaps among staff members
- Lapses in internal administration
- Deterioration of internal sub-cultures
- Deliberate acts of fraud, cheating, and misappropriation etc.
- Arbitrary decision making
- Inaccurate/insufficient risk reporting
- Inadequacies/misalignments of digitisation
- Strategic misalignments
- Lapses in implementing the risk management framework
- Improper alignment of remuneration to performance and risk
- Incorrect advice offered to customers
- Inaccurate predictions of macroeconomic variables
- Execution gaps in internal processes
- Lack of industrial harmony
- Critical accounting judgments and estimates turning to be inaccurate
- Lack of robust data infrastructure adversely affecting business and operational decisions and
- Subsidiaries and associates not performing up to the expectations of the Bank.
- Challenges in adopting to evolving regulations and compliance requirements

If not effectively managed, these factors have the potential to impact the risk profile of the Bank and lead to reputational damage, hindering the goal of creating sustainable value for all stakeholders. Moreover, the operating environment has become notably more intricate and uncertain due to emerging threats and uncertainties that could disrupt the status quo. This has challenged long-standing assumptions about markets, competition, and fundamental business principles. To address these concerns, the Bank must gain a deeper understanding of its stakeholders and strive for excellence in internal processes execution. The

Bank navigates these developments by implementing strategic responses, viewing them as opportunities to distinguish its value proposition for future growth. A concise summary of key risks is provided in Figure 48 on page 241.

These evolving circumstances are progressively heightening the complexity, dynamism, and competitiveness of the operating environment, posing ongoing challenges for risk management. Effectively addressing these risks and adopting a consistent approach to navigate uncertainties are imperative prerequisites for implementing the Bank's strategy to create value for all stakeholders. Consequently, discussions on risk management took precedence on the agenda in all Board, Board Committee, and Executive Committee meetings of the Bank.

A detailed account of the various types of risks managed by the Bank's risk management function and the adopted risk mitigation measures is provided below.

Credit risk

Credit risk pertains to the potential financial loss that may occur when a borrower or counterparty fails to fulfill its obligations as per agreed terms. The Bank faces credit risk through both direct lending activities as well as commitments and contingencies. Various factors influence credit risk, including the quality of the lending portfolio, concentration levels, ratings of counterparties with international exposures, and sovereign ratings concerning government exposures. The unprecedented market and supply disruptions, and subsequent socio-economic and political developments prevailed during the year have led to certain consequences. These include obscured credit risk and an increase in risks across various sectors. In response, the Bank has been compelled to explore novel approaches for effectively managing and mitigating credit risk, all while carrying out existing risk management and mitigation processes in a more granular and stringent manner.

The Bank's total credit risk is made up of counterparty risk, concentration risk, and settlement risk.

Maximum credit risk exposure

Table – 48

	As of December 31, 2023		As of December 31, 2022	
	Rs. Bn.	%	Rs. Bn.	%
Net carrying amount of credit exposure:				
Cash and cash equivalents	157.819	5.2	149.394	5.4
Placements with central banks and other banks (excluding reserves)	86.248	2.9	95.900	3.5
Financial assets at amortised cost – Loans and advances to Banks		0.0		0.0
Financial assets at amortised cost – Loans and advances to Other Customers	1,176.360	38.9	1,130.442	40.9
Financial assets at amortised cost – Debt and Other financial instruments	649.740	21.5	725.935	26.2
Financial assets measured at fair value through other comprehensive income	287.023	9.5	117.056	4.2
Total (a)	2,357.190		2,218.727	
Off-balance sheet maximum exposure:				
Lending commitments	157.205	5.2	132.065	4.8
Contingencies	507.169	16.8	415.235	15.0
Total (b)	664.374		547.300	
Total of maximum credit exposure (a + b)	3,021.564	100.0	2,766.027	100.0
Gross carrying amount of loans and advances to Other Customers	1,265.559		1,219.667	
Stage 3 (credit impaired) loans and advances to Other Customers	143.564		114.739	
Impaired loans as a % of gross loans and advances to Other Customers		11.3		9.4
Allowance for impairment – loans and advances to Other Customers	89.199		89.225	
Allowance for impairment as a % of gross loans and advances to Other Customers		7.0		7.3
Impairment charge – loans and advances to Other Customers	5.690		21.962	

Amidst the socio-economic changes in the country, the maximum credit exposure of the Bank increased from Rs. 2,766.0 Bn. (as of end December 2022) to Rs. 3,021.5 Bn. (as of end December 2023).

In view of the heightened risks mentioned earlier, the financial services industry continued to observe a rising trend in loans and advances to other customers being categorised as Non-Performing Credit Facilities (NPCF). Consequently, the credit-impaired (Stage 3) loans to customers of the Bank increased to Rs. 143.5 Bn. (compared to Rs. 114.7 Bn. as at end 2022), constituting 11.3% (compared to 9.4% in 2022) of the gross loans and advances to other customers. The Bank has made a cumulative impairment provision of Rs. 89.2 Bn. on the loans and advances portfolio as of December 31, 2023 in accordance with the requirements of SLFRS 9.

Additionally, due to the sovereign rating downgrade and the ongoing debt restructuring program in relation to Sri Lanka sovereign bonds (SLSBs), the Bank found it necessary to classify its exposure to SLSBs as Stage 2. Consequently, the Bank continued

to increase impairment provisions for SLSBs during the year under review, bringing the cumulative provision to 52% or Rs. 95.9 Bn. of the exposure as at end 2023 from 35% or Rs. 68.9 Bn. as of the end of December 2022.

Managing credit risk

The lending portfolio represents 45% of the total assets of the Bank, with credit risk accounting for over 90% of the total risk-weighted assets. Consequently, the Bank places critical emphasis on prudently managing credit risk, extending beyond regulatory compliance. This focus is governed by a Board-approved credit risk management framework encompassing a robust risk governance structure and a comprehensive array of risk management processes. These processes involve policies and procedures, risk assessments, collateral management, credit risk segregation, environmental and social risk management, independent risk verifications, ongoing credit risk monitoring, post-disbursement reviews, guidance to business line managers, knowledge dissemination on credit risk, and internal audit information sharing.

Throughout the year, the EIRMC/BIRMC diligently addressed credit risk management due to the escalation of persistent risks. Vigilant oversight mechanisms were implemented to monitor exposures across three categories – Watchlist, High-risk list, and Exit list – in both Sri Lanka and Bangladesh operations. The top 5 Stage 3 customers in each subsector falling within these categories were under close surveillance. Moreover, leveraging insights from the EWS (Early Warning Signals) system, the movements of exposures and the count of customers categorised as EWS Watch List, Cautious Care, and Intensive Care were meticulously tracked. An effective process involving Lending Officers and the IRMD ensured continuous monitoring of stressed lending assets identified through EWS. IRMD independently reviewed impairment of Individually Significant Customers, on a quarterly basis, with plans underway to enhance this process deploying technology to enhance accuracy and efficiency, in 2024.

During the year under review, the Bank continued to give significant attention to its exposures to the Risk Elevated Industries (REIs) and closely tracked the Expected Credit

Loss (ECL) for individually and collectively impaired facilities in both Stage 2 and Stage 3 against the underlying exposures. A separate analysis and a monitoring process were maintained for tourism-related and such other exposures. The Bank closely monitored the top 10 borrowers in each REI category within Stage 2 and Stage 3. Simultaneously, the Bank paid close attention to its exposures to the Government, both in terms of commercial lending and against treasury guarantees, while also closely monitoring the concentration of collateral in its advances.

The Bank has established internal limits encompassing various aspects of credit exposure management, including but not limited to:

- Open credit exposure
- Aggregate credit exposures to corporate borrowers owned and controlled by a single common shareholder or stakeholder
- Related party exposure
- Economic group exposure ratio
- Cross border exposures

The Bank conducts post-disbursement credit reviews for Loans & Overdrafts in accordance with the "Credit Risk Review Policy." The scope of these reviews aligns with the provisions outlined in the Credit Policy, Lending Guidelines, and the Credit Risk Review Policy. Upon completing the review, the findings are communicated to lending officers, and their responses are subsequently assessed. In addition to routine reviews, particular emphasis is placed on lending units/regions displaying elevated stress levels in terms of substandard lending. Detailed analyses of these units are escalated to the Executive Committees for prompt actions.

Credit health checks for branches and other lending units involve assessments based on the credit evaluation process, account behaviour, risk rating, compliance with guidelines, post-sanction compliance, concentration levels in the Loan Book, recovery efforts, follow-up of Non-Performing Credit Facilities (NPCF), regular examination of problematic advances, credit process adherence, and the reporting system.

Review of credit risk

During the first half of the year under review, the Bank continued to face the aftermath of the challenging operating environment that marked the year 2022, economic difficulties, increased living costs and ongoing import restrictions, to name a few. The prevailing conditions led to heightened stress levels among individuals and businesses,

SME sector in particular. However, the Government's proactive measures, including maintaining reasonable political stability, reaching agreements with the IMF on the Extended Fund Facility, conclusion of the Domestic Debt Optimisation and efforts to attract Foreign Direct Investments (FDIs) and revive tourism, played a role in reviving growth in credit to the private sector and sustaining economic activities at a moderate level in the second half of the year.

Consequently, the Bank exhibited resilience, gradually navigating the impacts of the challenges and making progress. Continuous efforts such as closely monitoring advances subjected to moratoria, implementing plans for facilities coming out of the moratoria, implementing recovery initiatives, intensifying scrutiny in loan appraisals, rationalising credit exposures through in-depth analyses, and undertaking post-sanction monitoring and recovery initiatives, coupled with the early identification of stressed borrowers through Early Warning Signals (EWS), contributed to maintain the credit quality at an acceptable level towards the end of 2023 and the mitigation of potential credit risks. The Bank adopted a cautious approach in creating new credit exposures and managing existing ones, particularly considering the increased social stress amid the country's economic conditions.

In addition to the robust credit risk management framework guiding the Bank in onboarding new exposures and monitoring

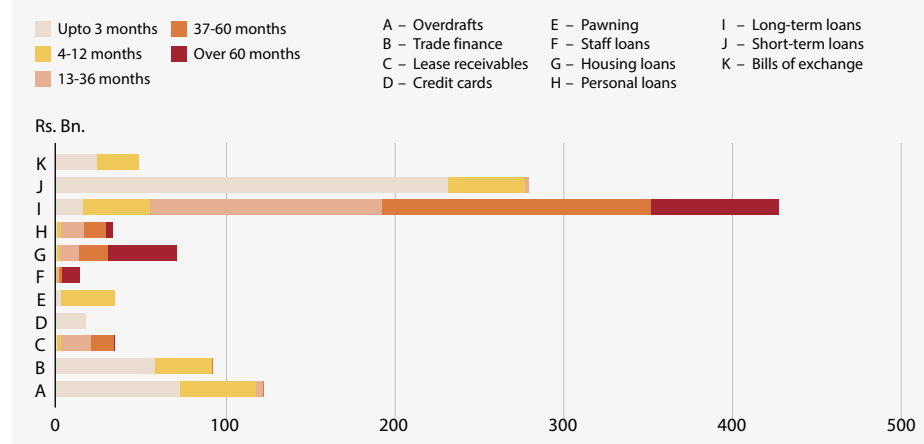
existing ones, which significantly contributes to maintaining the quality of the loan book, the Bank remains vigilant and exercises caution in selecting customers, products, industries, segments, and geographies it serves. Continuous monitoring of age analysis and the movement of overdue loans through arrears buckets allowed the Bank to promptly take action, to effectively mitigate default risks during the year.

Concentration risk

The Bank proactively mitigated concentration risk by implementing strategic diversification across various dimensions such as industry sectors, products, counterparties, and geographies. The Risk Assessment Statement (RAS) establishes limits for these segments, ensuring compliance, and monitoring of these exposures is conducted by the Board, Board Integrated Risk Management Committee (BIRMC), Executive Integrated Risk Management Committee (EIRMC), and the Credit Policy Committee (CPC). These committees not only oversee these exposures but also provide recommendations and suggestions for adjustments to defined limits based on emerging trends and developments in the business environment.

Graph 48 provides a breakdown of the portfolio of total loans and advances to other customers based on tenure, aligning with the risk appetite defined by the Bank.

Graph – 48: Tenure-wise loans & advances to other customers as at December 31, 2023



The distribution of Stage 3 credit-impaired loans and advances to other customers in terms of identified industry sectors at the year-end is given in Table 49 on page 245.

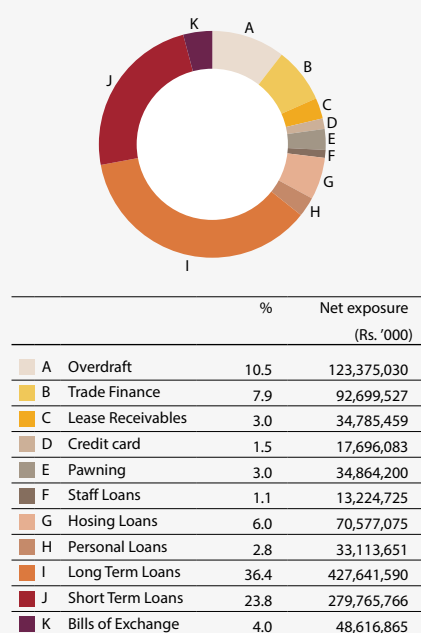
Distribution of Stage 3 credit impaired loans and advances to other customers as of December 31, 2023

Table – 49

Industry Category	Stage 3 Loans & Advances Rs.'000	Allowance for Individual Impairment Rs.'000	Allowance for Collective Impairment Rs.'000	ECL Allowance Rs.'000	Amount Written-off Rs.'000
Agriculture, forestry & fishing	12,937,804	3,624,268	2,511,898	6,136,166	142,388
Arts, entertainment & recreation	61,521	14,822	9,593	24,415	671
Construction	10,621,992	4,909,532	1,709,921	6,619,453	15,982
Consumption and others	8,783,879	733,388	2,444,648	3,178,036	111,546
Education	518,364	84,992	100,392	185,384	–
Financial services	1,816,622	1,127,189	79,599	1,206,788	8,059
Health care, social services & support services	1,529,487	76,267	473,853	550,120	3,684
Information technology and communication services	1,452,454	277,247	357,397	634,644	1,429
Infrastructure development	3,188,848	848,659	818,224	1,666,883	607
Lending to overseas entities	8,234,139	752,220	576,289	1,328,509	–
Lending to Ministry of Finance	–	–	–	–	–
Manufacturing	24,279,268	8,652,763	3,369,121	12,021,884	70,465
Professional, scientific & technical activities	1,165,320	75,325	277,562	352,887	5,138
Tourism	29,224,392	8,531,990	2,326,493	10,858,483	7,833
Transportation & storage	3,427,283	1,881,486	427,095	2,308,581	1,755
Wholesale & retail trade	36,322,218	10,551,861	5,592,753	16,144,614	106,836
Total	143,563,591	42,142,009	21,074,838	63,216,847	476,393

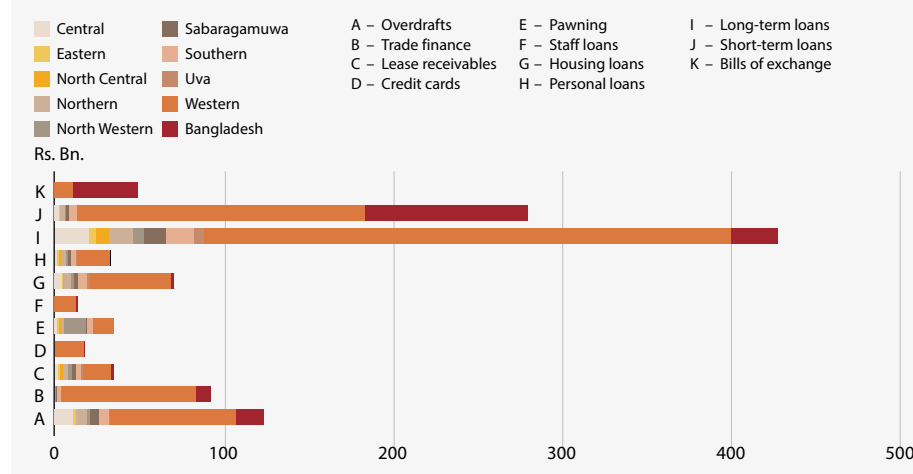
Due to the concentration of economic activities and the location of corporates' registered offices primarily in the Western Province, the Loan Book exhibits a high level of concentration in this particular province (refer to Graph 50).

Graph – 49: Product-wise analysis of loans and advances to other customers as at December 31, 2023



An analysis of the Bank's lending portfolio by product (refer to Graph 49) illustrates that the effectiveness of the Bank's credit policies is evident, with risks being well-diversified across a range of credit products.

Graph – 50: Product-wise geographical analysis of loans & advances to other customers as at December 31, 2023



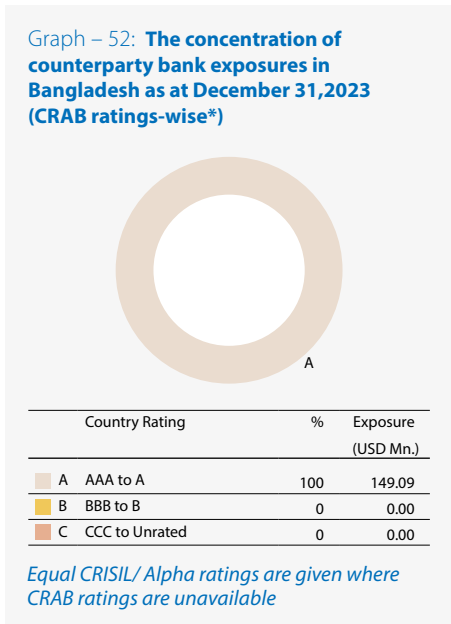
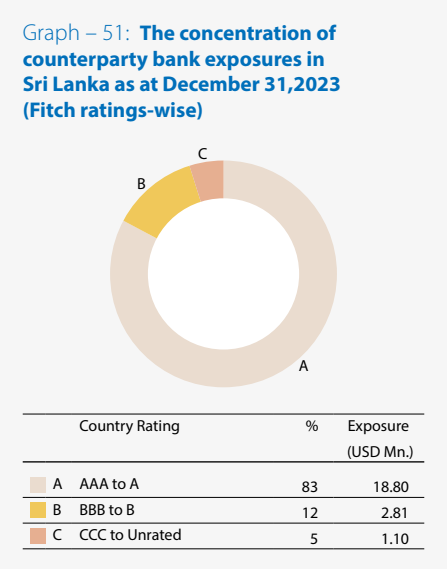
The Bank has a relatively high exposure of 36% to long-term loans, which is vigilantly monitored and mitigated through adequate collateral.

Counterparty risk

Counterparty risk management at the Bank is done through established policies, procedures, and limit structures, encompassing single borrower limits and group exposure limits for various products. The Bank has set limits that are more stringent than those mandated by regulators, offering greater flexibility in managing concentration levels related to counterparty exposures.

Loans and advances to the Bank from both local and foreign counterparties are significant contributors to counterparty risk. The Bank monitors these exposures against established product limits at regular intervals, employing a specific set of policies, procedures, and a limit structure. The financial and economic performance of counterparties is rigorously scrutinised throughout the year. For counterparty bank exposures, limits are monitored at frequent intervals, and adjustments are made as needed to reflect the latest information.

The analysis incorporates ratings provided by Fitch Ratings for local banks in Sri Lanka and Credit Ratings Agency in Bangladesh (CRAB) for local banks in Bangladesh. Equivalent CRISL/Alpha ratings are utilised in cases where CRAB ratings are unavailable. Exposure to local banks in Sri Lanka rated AAA to A category accounted for 83% (refer to Graph 51), while 100% of exposure to local banks in Bangladesh consisted of AAA to AA rated counterparties (refer to Graph 52) as at December 31, 2023.



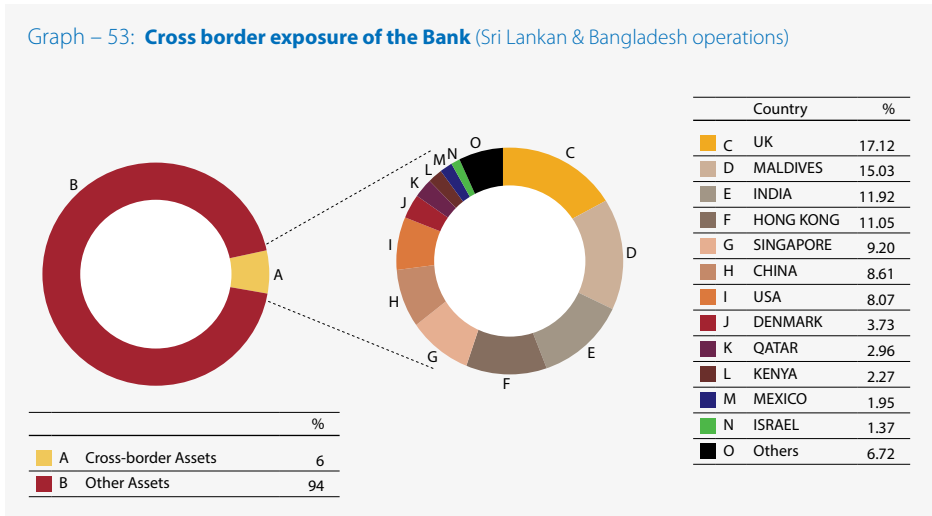
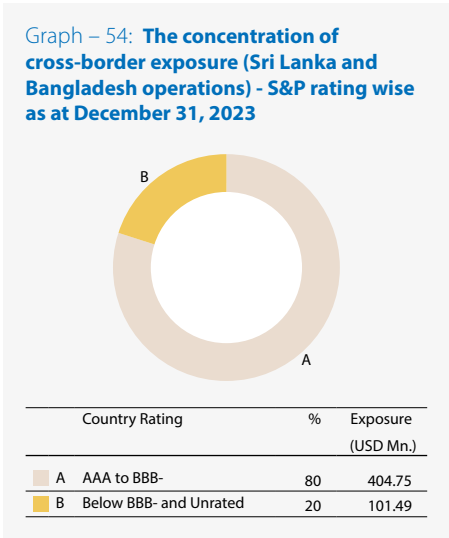
Cross-border risk

This pertains to the risk that the Bank may face challenges in receiving payments from its customers or third parties concerning contractual obligations due to specific actions taken by foreign governments, particularly those related to the convertibility and transferability of foreign currency. Assets exposed to cross-border risk include loans and advances, interest-bearing deposits with other banks, trade and other bills, as well as acceptances, mainly associated with short-term money market activities.

To mitigate the risk associated with over-concentration in cross-border exposures, the Bank has established limit structures. It consistently monitors

macroeconomic and market developments in countries where counterparties are located, rigorously evaluates these counterparties, and maintains regular communication with them. Timely actions, such as suspending or revising limits to countries experiencing adverse economic or political developments, are taken.

The Bank restricts its total cross-border exposure to 6% of its total assets (refer to Graph 53). Cross-border exposures encompass various countries, including the UK, the Maldives, India, Hong Kong, Singapore, China etc. 80% of cross-border exposures related to Sri Lanka and Bangladesh operations are to countries rated AAA to BBB-, while 20% are to countries rated below BBB- and those that are unrated (refer to Graph 54).



Market risk

Market risk for a bank refers to the potential adverse impact on its financial position due to fluctuations in financial market conditions. These conditions encompass changes in interest rates, exchange rates, commodity prices, and equity/debt prices, along with their correlations, deviating from the expectations the Bank had when making decisions. The Bank's operations are subject to these variables and correlations in different magnitudes. Market risk encompasses interest rate risk, liquidity risk, foreign currency risk, and equity risk

Market risk categories

Table – 50

Major market risk category	Risk components	Description	Tools to monitor	Severity	Impact	Exposure
Interest rate		Risk of loss arising from movements or volatility in interest rates				
	Re-pricing	Differences in amounts of interest-earning assets and interest-bearing liabilities getting re-priced at the same time or due to timing differences in the fixed rate maturities, and appropriately re-pricing of floating rate assets, liabilities, and off-balance sheet instruments	Re-pricing gap limits and interest rate sensitivity limits	High	Medium	Medium
	Yield curve	Unanticipated changes in shape and the gradient of the yield curve	Rate shocks and reports	High	High	High
	Basis	Differences in the relative movements of rate indices which are used for pricing instruments with similar characteristics	Rate shocks and reports	High	Medium	Medium
Foreign exchange		Possible impact on earnings or capital arising from movements in exchange rates arising out of maturity mismatches in foreign currency positions other than those denominated in base currency, Sri Lankan Rupee (LKR)	Risk tolerance limits for individual currency exposures as well as aggregate exposures within regulatory limits for NOP	High	Medium	Medium
Equity		Possible losses arising from changes in prices and volatilities of individual equities	Mark-to-market calculations are carried out daily for Fair Value Through Profit and Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI) portfolios	Low	Low	Negligible
Commodity		Exposures to changes in prices and volatilities of individual commodities	Mark to market calculations	Low	Low	Negligible

Managing market risk

Market risk at the Bank is effectively managed through a Board-approved market risk management framework. This framework consists of a robust risk governance structure and a comprehensive set of risk management processes, including policies, market risk limits, Management Action Triggers (MATs), risk monitoring, and risk assessment.

To assess the impact on the Bank's Net Interest Income (NII) under stress conditions, scenarios involving a change of 100 – 400 basis points (bps) on LKR and 25 – 100 bps on foreign currency (FCY) over a 12-month period were considered. The Bank also employs the Economic Value of Equity (EVE), a

long-term measure of Interest Rate Risk (IRR), to analyse the Bank's value in present market conditions and its sensitivity to changes in market rates. Additionally, the repricing gap of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) was analysed.

Monitoring of Net Interest Margin (NIM) changes on a monthly basis for both LKR and FCY in Sri Lanka and Bangladesh operations was conducted. The Bank also assessed FX position gains/losses under stress conditions with a 1% up/down exchange rate movement between USD and LKR rates. Furthermore, the impact of Mark To Market (MTM) gains/losses was assessed if interest rates changed by 1% up/down and 2% up/down on the Fair

Value Through Profit or Loss (FVTPL) portfolio of LKR Government securities, as well as on the Fair Value Through Other Comprehensive Income (FVTOCI) portfolio.

Opportunity loss of the amortised cost portfolio and the FCY cash flow for the next three months are monitored on an ongoing basis. The Bank also prepares a summary of FCY liquidity gap, which includes funding liquidity against undrawn overdraft limits and the projected loan disbursements for the next three months. Additionally, the Bank assesses funding concentration in terms of tenor and values, top 20 depositors, and based on currency.

Review of market risk

Market risk at the Bank primarily emanates from the Non-Trading Portfolio (Banking Book), constituting 92.22% of the total assets and 93.04% of the total liabilities as of December 31, 2023. The exposure to market risk is mainly attributed to Interest Rate Risk (IRR) and Foreign Exchange (FX) risk, as the Bank has minimal exposure to commodity-related price risk, equity, and debt price risk, accounting for less than 15% of the total risk-weighted exposure for market risk. Further details regarding the Bank's exposure to market risk, analysed by Trading Book and Non-Trading Portfolios (Banking Book), can be found in Note 66.3.1 on page 415.

Market risk portfolio analysis

The gap report is compiled by categorising Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) into different time bands based on maturity (for fixed-rated) or time remaining until their next repricing (for floating-rated). The distribution of savings deposit balances aligns with the results of a behavioural analysis conducted by the Bank and follows the guidelines of the Central Bank of Sri Lanka (CBSL) on overdrafts and credit cards. The Bank's exposure to interest rate volatility is reflected in the gap between RSA and RSL (refer to Table 52).

Interest rate risk (IRR)

Extreme fluctuations in interest rates pose a risk to the Bank, impacting the Net Interest Income (NII) and potentially affecting the value of interest-earning assets, interest-bearing liabilities, and off-balance sheet items. The primary types of Interest Rate Risk (IRR) that the Bank is exposed to include re-pricing risk, yield curve risk, and basis risk.

Sensitivity of projected NII

The Bank conducts regular stress tests on Interest Rate Risk in the Banking Book (IRRBB), incorporating variations in positions and new economic variables, along with both systemic and specific stress scenarios. The

change in the value of the Fixed Income Securities (FIS) portfolio in Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI) categories, resulting from abnormal market movements, is assessed using both Economic Value of Equity (EVE) and Earnings At Risk (EAR) perspectives. The outcomes of stress tests on IRR are carefully analysed to discern the impact of such scenarios on the Bank's profitability and capital.

The impact on Net Interest Income (NII) due to rate shocks on Sri Lankan Rupee (LKR) and foreign currency (FCY) is continuously monitored to gauge the Bank's susceptibility to abrupt changes in interest rates (refer to Table 51).

Sensitivity of NII to rate shocks

Table – 51

	2023		2022	
	Parallel increase Rs. '000	Parallel decrease Rs. '000	Parallel increase Rs. '000	Parallel decrease Rs. '000
Net Interest Income (NII)				
As at December 31,	100,792	(101,013)	392,200	(392,737)
Average for the period	(18,795)	16,928	369,472	(369,892)
Maximum for the period	276,499	(276,604)	813,181	(813,616)
Minimum for the period	(576,068)	557,037	19,531	(20,281)

Interest rate sensitivity gap analysis of assets and liabilities of the Banking Book as of December 31, 2023 – Bank

Table – 52

Description	0-90 days Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Total financial assets	764,261,482	421,609,515	402,763,670	383,520,242	254,557,257	209,541,436	2,436,253,602
Total financial liabilities	767,224,705	703,454,962	203,742,713	222,809,488	155,944,508	239,581,610	2,292,757,986
Interest rate sensitivity gap	(2,963,223)	(281,845,447)	199,020,957	160,710,754	98,612,749	(30,040,174)	143,495,616
Cumulative gap	(2,963,223)	(284,808,670)	(85,787,713)	74,923,041	173,535,790	143,495,616	
RSA/RSL	0.99	0.60	1.98	1.72	1.63		

Foreign exchange risk

To mitigate potential losses arising from fluctuations in foreign exchange (FX) rates, the Bank adheres to stringent risk tolerance limits for individual currency exposures as well as aggregate exposures within regulatory limits, ensuring that such losses are minimised and kept within the Bank's risk appetite.

During the year under review, the USD/LKR exchange rate appreciated by 11.65% (Source: Central Bank of Sri Lanka) [1]. Refer to Note 66.3.3 – Exposure to currency risk – non-trading portfolio on page 418 for further details.

Stress testing is conducted on the net open position (NOP) by applying rate shocks ranging from 5% to 25% to estimate the impact on the Bank's profitability and capital adequacy [1]. Refer to Table 56 on page 258). The impact of a 1% downward change in the exchange rate on the foreign currency position indicated a loss of Rs. 602.23 Mn. as of December 31, 2023 [1]. Refer to Graph 78 on page 418 for the impact of a 1% upward change in the exchange rate).

Equity price risk

While the Bank's exposure to equity price risk is minimal, daily mark-to-market calculations are performed on Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI) portfolios. Additionally, the Bank calculates Value at Risk (VaR) on the equity portfolio. [1]. Refer to Note 66.3.4 on page 419 for a summary of the impact of a 10% shock on equity prices on profit, other comprehensive income (OCI), and equity.

Commodity price risk

The Bank's exposure to commodity price risk is confined to the fluctuations in the gold price affecting the pawning portfolio. The Bank has adopted lower LTV ratio and regular marking to market valuation of the portfolio as risk mitigants in this regard.

Liquidity risk

Liquidity risk refers to the Bank's potential inability to fulfill on- or off-balance sheet contractual and contingent financial obligations as they become due, without incurring unacceptable losses. Banks face vulnerability to liquidity and solvency issues stemming from mismatches in the maturities of assets and liabilities. Therefore, the key goal of liquidity risk management is to evaluate and ensure the availability of funds needed to meet obligations at the right times, both in normal and stressed conditions.

Liquid assets ratios as of December 31, 2023 are given below:

Statutory liquidity ratios

Table – 53

	2023 %	2022 %
Statutory Liquid Assets Ratio (SLAR)		
Consolidated (Sri Lankan Operation)	46.06	35.88
Liquidity Coverage Ratio (LCR)		
Rupee	491.61	405.91
All currencies	516.27	293.91
Net Stable Funding Ratio (NSFR)	193.70	173.58

Managing liquidity risk

The Bank employs a comprehensive approach to managing liquidity risk, incorporating policies, procedures, measurement methods, mitigation strategies, stress testing methodologies, and contingency funding arrangements. During the year, the Bank faced an excess liquidity situation, driven by relatively slow credit growth compared to deposit inflow. As depicted in Table 53, managing this excess liquidity posed a challenge, requiring substantial investments in Government securities, both denominated in Sri Lankan Rupees (LKR) and foreign currency (FCY), at optimal yields to minimise adverse effects on profitability.

The Bank made a concerted effort to leverage available opportunities and mitigate the impact of negative carry on specific treasury investments. However, the Bank anticipates a challenging period until the majority of bonds in the portfolio mature over the next 2 to 3 years. A scenario analysis of the magnitude of the negative carry was conducted during the year.

To avoid the risk of potential haircuts and impairment provisioning, the Bank chose to accept the proceeds of maturing

USD-denominated Sri Lanka Development Bonds (SLDBs) in Rupees.

The resulting net open position (NOP) created from forex sales was managed by operating within the permanent negative NOP limit.

Additionally, in 2022, the Bank reclassified its bonds (excluding LKR bonds maturing before October 2022) following the guidelines issued by CA Sri Lanka through a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio. The necessary disclosures have been provided in the interim financials and this Annual Report.

Liquidity risk review

The Asset and Liability Committee (ALCO) routinely monitors the net loans to deposits ratio to ensure that the Bank's asset and liability portfolios are structured to maintain a robust liquidity position. The Net Stable Funding Ratio (NSFR), indicating the stability of funding sources in comparison to granted loans and advances, was consistently maintained well above the policy threshold of 100%. This level is deemed healthy to support the Bank's business model and growth.

The key ratios utilised for liquidity measurement under the stock approach are outlined below:

Key ratios used for measuring liquidity under the stock approach

Table – 54

Liquidity ratios %	As at December 31, 2023	As at December 31, 2022
Loans to customer deposits	0.61	0.64
Net loans to total assets	0.46	0.47
Liquid assets to short-term liabilities	0.68	0.53
Purchased funds to total assets	0.25	0.26
(Large liabilities – Temporary Investments) to (Earning assets – Temporary Investments)	0.27	0.26
Commitment to total loans	0.21	0.15

Maturity gap analysis

The Maturity Gap Analysis of the Bank's assets and liabilities as of December 31, 2023, is detailed in Note 66.2.2(a) to the Financial Statements, found on pages 410 and 411.

This analysis of the maturity of financial assets and liabilities reveals that the Bank has adequate funding available to withstand adverse situations, as per the prescribed behavioural patterns. The examination of the maturity of financial assets and liabilities does not indicate any unfavourable situations, particularly when considering that cash outflows encompass savings deposits. These deposits can be deemed as a quasi-stable source of funds, aligned with the historical behavioural patterns of depositors, as further explained below.

Behavioural analysis on savings accounts

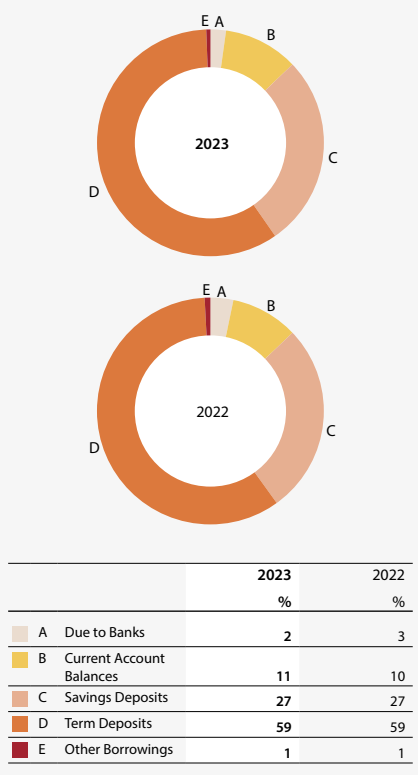
In the absence of a contractual agreement specifying maturity, savings deposits are categorised as non-maturing demand deposits. This product does not have a precise re-pricing frequency, and the Bank adjusts the offered rate on these deposits considering factors such as the re-pricing gap, liquidity, profitability, etc. Given the absence of an exact re-pricing frequency and its lower sensitivity to market interest rates, the segregation of savings products among predefined maturity buckets in the maturity gap report is determined through regular simulations conducted by the Bank, aligning with behavioural studies.

The Bank assesses its liquidity position in all major currencies, both at individual and aggregate levels, to ensure potential risks remain within specified threshold limits. Moreover, the Bank monitors potential liquidity commitments arising from loan disbursements and undrawn overdrafts to ensure sufficient funding sources are available.

Funding diversification by product

The Bank relies primarily on deposits from customers and other borrowings as its main source of funding. Graph 55 presents a product-wise analysis of the Bank's funding diversification as of the end of 2023 and 2022.

Graph – 55: Funding diversification by product



Operational risk

Operational risk refers to the potential for losses arising from inadequate or failed internal processes, human errors, system failures, or external events such as natural disasters, social, or political occurrences. It is an inherent aspect of all banking products and processes, and the Bank aims to manage it efficiently. The seven standard criteria used to assess operational risk are execution, delivery and process management, internal frauds, external frauds, employment practices and workplace safety, clients, products and business practices, and damage to physical assets and business, as well as disruption and system failures. It is important to note that operational risk encompasses legal risk but excludes strategic and reputational risk.

Managing operational risk

The Bank implements operational risk management through the establishment of policies, risk assessments, and risk mitigation strategies, including the utilisation of insurance coverage. The Bank also employs procedures for the outsourcing of business activities, manages technology-related risks, formulates comprehensive Business

Continuity and Disaster Recovery Plans, fosters a culture of risk awareness across the organisation, conducts stress testing, and closely monitors and reports operational risks.

The policies and procedures concerning the outsourcing of business activities ensure continuous identification and effective management of significant risks associated with outsourcing arrangements. The Bank reports details of all outsourced functions to the CBSL on an annual basis. Before entering into new agreements or renewing existing ones, respective risk owners conduct due diligence tests on outsourced vendors. Additionally, bi-annual review meetings with key IT service providers are conducted to monitor service performance levels and verify adherence to agreements.

The Executive Integrated Risk Management Committee (EIRMC) and the Board Integrated Risk Management Committee (BIRMC) closely oversee and ensure the timely rectification of business disruptions caused by various factors such as network failures, line failures, branch-level system failures, incidents like fire or natural disasters, industrial unrest, branch closures due to events like hartals, police curfews, and pandemics.

The Bank underwent an operational risk review of its Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) documents, including an examination of the Disaster Recovery (DR) site. This comprehensive assessment was conducted by the Integrated Risk Management Department (IRMD) in adherence to Section 3 (6) (v) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks (LCBs). As mandated by the Direction, the adequacy of preparedness was assessed through an independent review of the Bank's BCP and DRP by the BIRMC.

The Bank successfully implemented a Group-wide Conduct Risk Management Policy Framework. Additionally, an operational loss event database covering the Bank's operational incidents over the past 13 years has been integrated into the Operational Risk Management System (ORMS). Furthermore, the Risk and Control Self-Assessment (RCSA) Framework, originally implemented within the Bank, was extended to other financial entities within the Group, namely CBC Finance Ltd. (CBCF), CBC Myanmar Microfinance Ltd. (CBCMM) and Commercial Insurance Brokers Limited (CIBL). This framework empowers each entity to identify, assess, and manage its unique risks while ensuring alignment with the broader risk management objectives of the Group.

Business continuity management

The Business Continuity Management (BCM) framework at the Bank encompasses a range of activities, including business continuity, disaster recovery, crisis management, incident management, emergency management, and contingency planning. This framework is designed to uphold the Bank's commitment to serving all stakeholders, ensuring minimal interruptions during unforeseen disruptions to business activities caused by man-made, natural, or technical disasters, and facilitating a swift resumption of operations.

The BCM's scope involves program initiation and management, risk evaluation, and business impact analysis, the development of business continuity strategies, emergency preparedness and response, implementation of business continuity plans, awareness building and training, business continuity plan exercises, audit and maintenance, and crisis communications and coordination with external agencies.

In 2018, the Bank revamped its Business Continuity Plan (BCP) in consultation with an external BCP expert, aligning it with industry best practices. The IT Disaster Recovery Plan, a crucial component of the BCP, underwent review and approval by the Board of Directors. To enhance IT system recovery capabilities, a secondary high-availability set-up was introduced for core banking and other critical systems, improving redundancy.

A BCP exercise (working day) was carried out in June 2023, which was conducted over a period of four months, beyond the current CBSL requirement of one working day. This extended duration ensured thorough testing of the Bank's disaster recovery capabilities following the installation of a new DR machine and a production machine upgrade. All application functionalities were rigorously tested before rollback, minimising disruptions throughout the exercise. The success of this extended BCP exercise demonstrates the Bank's growing maturity and commitment to preparedness. This commitment proactively safeguards the Bank's operations and customer access in the event of unforeseen disruptions.

Review of operational risk

The Bank maintains a low appetite for operational risk and has established tolerance levels for significant operational risk losses. These thresholds are determined based on various factors such as historical loss data, budgets and forecasts, the Bank's

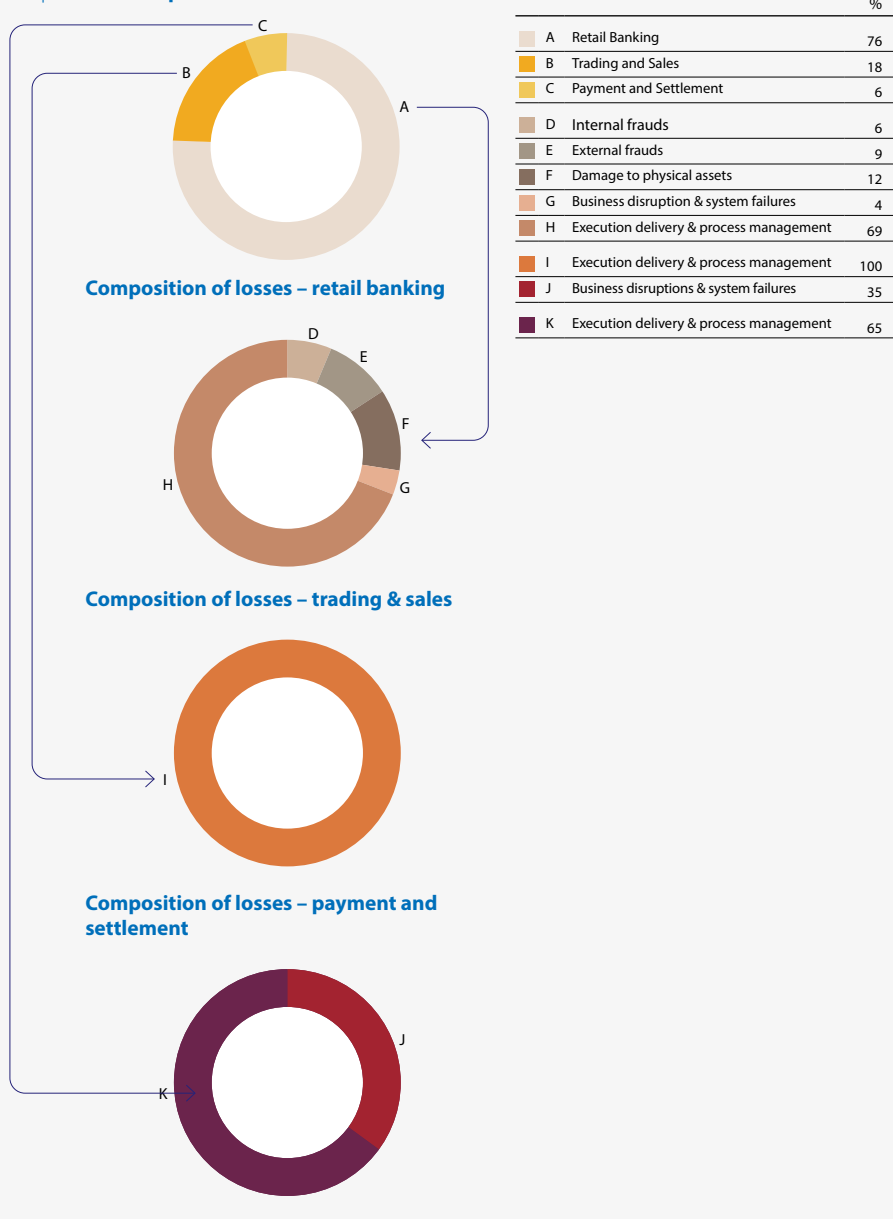
performance, and the effectiveness of existing systems and controls. For monitoring purposes, the following thresholds have been set, utilising audited financial statements:

- Alert level: 3% of the average gross income for the past three years
- Maximum level: 5% of the average gross income for the past three years

Operational losses for the financial year 2023 were reported to be below the internal alert level, standing at 0.226% of the average

audited gross income for the past three years. The Bank has consistently maintained operational losses below the alert level for the past decade. This track record reflects the commitment set at the "tone at the top," the effectiveness of governance structures, and the robustness of processes and procedures in place to manage operational risk. Graph 56 provides an analysis of operational risk losses incurred by the Bank in 2023 across various business lines/categories.

Graph – 56: **Composition of losses – 2023**

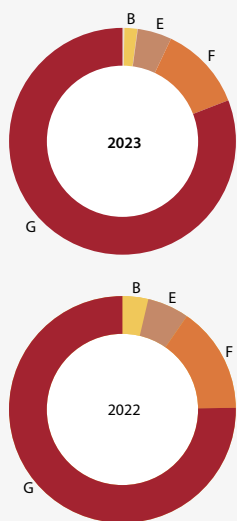


Upon analysing the losses incurred in 2023 categorised under the Basel II defined business lines, it becomes apparent that the majority (76%) of losses with financial impact are attributed to the "Retail Banking" business line. Followed by the losses reported under the "Trading & Sales" (18%) and "Payments & Settlement" (6%) business lines. Losses related to other business lines continued to remain negligible.

Graphs 57 and 58 provide a comparative representation of operational losses reported during 2023 and 2022 for each Basel II loss event type. The graphs depict both the number of occurrences and the corresponding values for a comprehensive analysis.

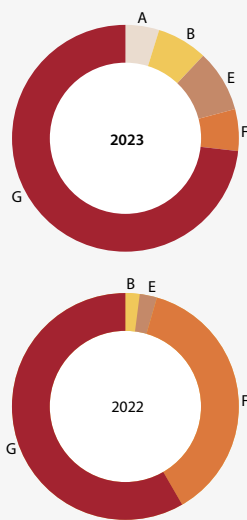
Losses by number of events

Graph – 57: Losses by number of events



	2023	2022
	%	%
A Internal frauds	0	0
B External frauds	2	4
C Employment practice & work place safety	0	0
D Clients products & business practices	0	0
E Damage to physical assets	5	6
F Business disruption & system failures	12	15
G Execution delivery & process management	81	75

Graph – 58: Losses by value



	2023	2022
	%	%
A Internal frauds	5	0
B External frauds	7	2
C Employment practice & work place safety	0	0
D Clients products & business practices	0	0
E Damage to physical assets	9	3
F Business disruption & system failures	6	37
G Execution delivery & process management	73	58

Consistent with typical operational risk patterns, the majority of losses incurred by the Bank in 2023 comprised high-frequency/low financial impact events, primarily falling under the "Execution, Delivery, and Process Management" loss category. These lower-value events were predominantly associated with the Bank's service delivery network, encompassing over 1,000 points across Sri Lanka and Bangladesh, particularly in cash and ATM operations. Events with monetary values below Rs. 100,000 accounted for more than 88.17% of the total loss events for the year. Additionally, when comparing the number of loss events to the volume of transactions performed during the year, the ratio stood at a mere 0.0048%.

The Bank continued to enhance its anti-money laundering (AML) compliance, incorporating new audit reports to monitor transactions and ensure adherence to Know Your Customer (KYC) requirements throughout the year.

The values of losses incurred by the Bank in the year were primarily categorised under Execution, Delivery, and Process Management, Damage to Physical Assets, External Frauds, Business Disruptions & System Failures and Internal Frauds. These losses for the year were primarily driven by a limited number of events in these five categories, most of which the Bank managed to resolve through subsequent recovery/rectification with minimal financial impact. Moreover, the Bank introduced necessary process improvements to prevent recurrence. The capital allocation for operational risk in 2023 under the Alternative Standardised Approach per Basel III is Rs. 79.858 Bn., while the net losses, after discounting subsequent recoveries, amount to only 0.091% of this capital allocation. This trend of remarkably low levels of operational risk losses underscores the effectiveness of the Bank's operational risk management framework and internal control environment.

IT risk

IT risk represents the business risk associated with the utilisation, ownership, operation, involvement, influence, and adoption of information technology within an organisation. This category constitutes a significant component of operational risk, encompassing various IT-related events such as system interruptions/failures, errors, frauds facilitated by system manipulations, cyberattacks, obsolescence in applications, and the risk of falling behind competitors in terms of technology adoption. IT risks cover governance aspects, critical system availability, access control, threat management, change management, physical and environmental security, as well as disaster recovery and business continuity planning.

Given the inherent uncertainty regarding the frequency and magnitude of IT-related risks, managing IT risk poses considerable challenges. Consequently, the Bank has assigned top priority to address IT risk, with a particular emphasis on cyber security strategies. The Bank continuously invests in cyber security improvements, focusing on securely enabling new technology and business initiatives while maintaining a persistent commitment to protecting both the Bank and its customers from cyber threats.

The IT Risk Unit within the IRMD is tasked with implementing the Bank's IT risk management framework. This involves ensuring the presence of an appropriate governance framework, policies, processes,

and technical capabilities to effectively manage all significant IT risks. The IT Risk Management Policy, aligned with the Operational Risk Management Policy, complements the Information Security Policy. Together, these policies and related processes aim to enhance risk management and improve information security across the Bank.

The Risk Control Self-Assessment (RCSA) stands as a fundamental tool for identifying and assessing IT risks, with the IT Risk Unit conducting independent IT risk reviews aligned with the operational risk management process's established structure. Outcomes from these independent assessments, along with audit findings, analysis of information security incidents, and internal and external loss data, contribute to the identification and assessment of IT risks.

Mitigating IT risk involves prioritising, evaluating, and implementing risk-reducing controls or treatment techniques recommended through the risk identification and assessment process. The Bank has implemented a multi-layered control approach across various technological layers, including data, applications, devices, and networks. This approach ensures robust end-to-end protection while enhancing capabilities for detecting, preventing, responding to, and recovering from cyber threats. Critical units of the Bank have obtained certifications under globally recognised standards for Information Security Management System (ISMS), specifically ISO/IEC 27001:2013, and Payment Card Industry Data Security Standard (PCI DSS). Both certifications focus on ensuring the confidentiality, integrity, and availability of data and information. The Bank is on track to achieve full certification covering all 350 banking units by 2025. The ISMS undergoes annual independent validation by ISO 27001 ISMS external auditors and Qualified Security Assessors of the PCI Council.

The Bank has maintained its commitment to investing in information security, aligning with CBSL directions, and placing a heightened focus on information and cyber security. The rollout of Baseline Security Standards (BSS) across the branch network and head office signifies efforts to enhance information security governance. Specific initiatives related to this investment can be found in the "Key risk management initiatives in 2023" section on pages 233 and 234 of this report.

Continuous, independent monitoring of the Bank's IT risk profile is conducted by the IT Risk Unit using various tools and techniques, including Key IT Risk Indicators (KIRIs). The KIRI

review process involves monitoring indicators such as information security-related incidents, supported by trend analyses that highlight high-risk or emerging issues, enabling prompt action to address them.

Staff turnover continued to remain a concern in 2023, prompting the Bank to devise strategies to address the issue. The Bank implemented a special grading system for IT staff and adjusted salaries for IT professionals to align with market rates. The Bank has also proactively identified the root causes of major incidents related to IT Operations during the year. Despite the growth in business volumes and operations, the number of major IT-related incidents has remained consistent over the past decade. The mitigatory actions taken for all major operational risk events, including IT-related incidents, were closely reviewed. Monthly monitoring is conducted for various indicators under each of the broader categories of IT risk.

Social and Environmental Risk

Introduction – Leading with Sustainability and Managing S&E Risks

For the Bank, sustainability transcends mere rhetoric; it constitutes the cornerstone of our operations. Guided by our Board-approved Social and Environmental (S&E) Policy, we demonstrate an unwavering commitment to S&E risk management.

S&E risks are the potential negative impacts an entity's activities can have on the people and the environment. These risks can be diverse, ranging from pollution and resource depletion to unfair labour practices and community displacement. Proactively identifying, assessing, and mitigating these risks, can contribute to a more sustainable future for all.

For banks, the social and environmental risks associated with lending activities are generally much greater than those stemming from their own operations. This is due to the diversity of the borrowers, changing regulatory landscape, limited control over the S&E practices of the borrowers and particularly borrowers with international operations, and third-party S&E assessments and monitoring reports, with less reliability and comprehensiveness.

Thus, the Bank has duly prioritised mitigating the potentially larger social and environmental risks associated with its lending activities while managing S&E risks within its own operations. This is done through a proactive, comprehensive approach that integrates sustainability

into all aspects of lending decisions, risk management, and stakeholder engagement.

S&E risks that may affect Commercial Bank of Ceylon PLC can be broadly categorised as:



Management of S&E risks

Proactive management of these risks is central to the Bank's long-term sustainability and success. By integrating responsible practices into its lending activities, the Bank aims to contribute to a healthier environment and stronger communities, fostering a secure foundation for future growth.

This involves;

- Maintaining a robust S&E risk management framework aligned with local regulations and applicable international standards like IFC Performance Standards.
- Integrating S&E considerations into all lending decisions through due diligence and risk assessment.
- Monitoring borrowers' S&E performance and enforcing agreed-upon mitigation measures.
- Supporting borrowers in improving their S&E practices through capacity building and technical assistance as applicable.

The Bank’s dedicated Social and Environmental Management System (SEMS) serves as a comprehensive line of defense, employing policies, procedures, assessment tools, and expert personnel. This proactive approach helps to identify, evaluate, and manage potential S&E risks, mitigating their impact on the communities and the environment, and safeguarding long-term sustainability not only for stakeholders but also for the Bank itself.

Criteria used to gauge the S&E risks includes;

- Compliance to National S&E Regulations
- Pre-defined List of S&E Banned Activities
- Compliance to fundamental ILO Conventions
- Applicable IFC Performance Standards

The Bank has identified a list of activities that are illegal /banned according to the country’s law or which violate international conventions, treaties or agreements ratified by country of operation such as “Production of or trade in pharmaceuticals, pesticides and herbicides, ozone depleting substances subject to international phase-outs or bans”, “Trans-boundary movements of hazardous waste prohibited under Basel Convention”, “Trade in wildlife or production of or trade in wildlife products regulated under national law and international conventions”, “Unsustainable fishing methods”, “production or activities involving forced labour or child labour”, “Destruction of critical habitats and protected areas”, “Production or activities impacting indigenous people/land” “Trade in Chemical, Biological, Nuclear and Radiological weapons” etc. and the Bank does not finance these activities at all times.

The Bank implements a comprehensive Social and Environmental (S&E) due diligence process for loan proposals. This rigorous approach encompasses document review, site visits, stakeholder engagement, and an assessment of the borrower’s S&E risk management framework. Identified concerns and potential improvement opportunities are formally documented within an action plan, which becomes a legally binding component of the loan agreement.

The depth of this due diligence process is tailored to the specific risk profile of each project. This may range from a thorough review of relevant documentation to extensive on-site inspections and detailed stakeholder consultations. Additionally, stringent compliance checks are performed to ensure adherence to the Bank’s banned activities list.

Category A – Projects with High environmental and/or social risks

These projects are likely to have significant adverse environmental and/or social risks and/or impacts some of which may be large scale, unprecedented, and Irreversible.

Category B – Projects with Medium environmental and/or social risks

These projects may result in specific environmental and /or social risks and /or impacts. Most of which could be mitigated by implementing a corrective action plan but on rare occasion, a few may be irreversible.

Category C – Projects with Low environmental and/or social risks projects.

These projects are likely to have minimal or no adverse environmental and/or social impacts.

All facilities above a pre-determined threshold value are re-evaluated by the Integrated Risk Management Department. Additionally, third party independent experts are consulted when and where necessary, to carry out Social and Environmental Due Diligence of complex projects in order to ensure systematic identification and assessment of environmental and social risks associated with a proposed transaction. This process helps the Bank to identify the “Corrective Actions” that are necessary to eliminate/ mitigate the significant social and environmental risks. It is considered as part of the credit approval process and appropriately formalised through conditions and covenants, thereby reducing the Bank’s exposure to potential S&E risks associated with a borrower’s operations/project.

Robust Social and Environmental Management System (SEMS) of the Bank assigns clear roles and responsibilities for S&E risk management. From governance and oversight to daily practices, everyone plays a part. Lending staff undergoes comprehensive training on SEMS, IFC Performance Standards, and identifying environmental, health, and safety concerns during site visits.

The Bank continuously reviews and updates its S&E risk management system (SEMS) incorporating regulatory changes and developments as well as stakeholder requirements.

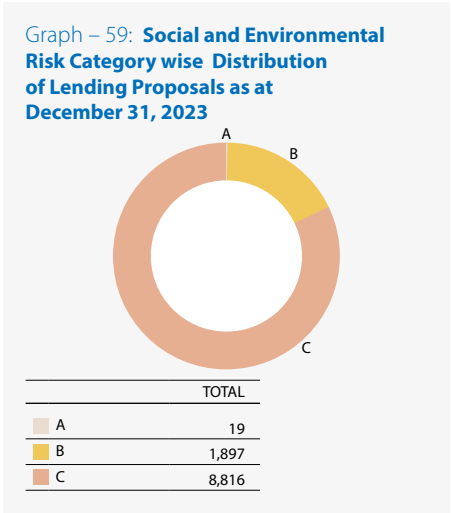
Monitoring, Supporting, and Sustainable Practices

The Bank closely monitors portfolios for borrowers’ compliance with its S&E

requirements. Annual reporting on S&E risk management performance is mandatory.

The Board of Directors and Senior Management are fully committed to overseeing this Social and Environmental Risk Appetite. The Bank ensures that commitment to sustainability is embedded in organisational strategy, decision-making processes, and risk management framework.

During the year 2023, the S&E risk screening outcome is as follows;



- Category A – Projects with High environmental and/or social risks.**
- Category B – Projects with Medium environmental and/or social risks**
- Category C – Projects with Low environmental and/or social risks projects**

Legal risk

Legal risk is acknowledged as an integral component of operational risk, encompassing the exposure to adverse effects arising from inaccurately drafted contracts, their execution, the absence of written agreements, or inadequate agreements. This risk extends to potential consequences such as reprimands, fines, penalties, punitive damages resulting from supervisory actions, and the cost of private settlements.

The Bank proactively manages legal risk by ensuring that all applicable regulations are fully considered in its relations and contracts with individuals and institutions involved in business relationships with the Bank. This risk mitigation strategy is supported by the necessary documentation. To prevent breaches of rules and regulations, the Bank establishes and maintains an effective system for verifying the conformity of operations with relevant regulations. This proactive

approach aims to minimise the likelihood and impact of legal risks associated with the Bank's activities.

Compliance and regulatory risk

Compliance and regulatory risk refer to the potential risk faced by the Bank due to non-compliance with applicable laws, rules, regulations, and codes of conduct. This non-compliance could lead to regulatory fines, financial losses, disruptions to business activities, and reputational damage. To systematically assess and manage this risk, the Bank has established a compliance function that reports directly to the Board of Directors. A comprehensive Compliance Policy outlines how the Bank identifies, monitors, and manages compliance risks in a structured manner. The Bank's culture and the Code of Ethics also play a crucial role in mitigating this risk.

The Bank fosters a strong culture of compliance, ensuring that its entire operation aligns with prevailing regulations. A series of measures have been implemented to reinforce regulatory compliance requirements and ensure effective monitoring, testing, reporting, and verification of compliance with risk mitigation activities across the Bank. These measures include:

- Incorporating new regulatory developments into internal policies, procedures, and controls.
- Introducing new scenarios for transaction monitoring.
- Regularly reviewing the Bank's Compliance program.
- Conducting Compliance Audits for over 140 branches/business units.
- Analysing Compliance risk and implementing effective controls to address identified shortcomings.
- Providing necessary training to staff members.
- Conducting periodic independent verifications of compliance function by Inspection Department

These initiatives collectively contribute to the Bank's commitment to regulatory compliance and risk management.

Strategic risk

Strategic risk in banking is associated with strategic decisions and the potential inability of the Bank to adapt to evolving market dynamics, leading to a loss of market share and the failure to achieve strategic goals. The Bank manages strategic risk through its corporate planning and budgeting processes, critically evaluating their alignment with the Bank's vision, mission, and risk appetite.

To measure and monitor strategic risk, the Bank employs a detailed scorecard-based qualitative model aligned with the Internal Capital Adequacy Assessment Process (ICAAP). This approach considers various variables such as the Bank's size, sophistication, nature, and complexity of operations. The model highlights areas that require attention to mitigate potential strategic risks. Assessment of strategic risk involves factors like capital adequacy, earnings volatility, shareholder value, etc. The criteria are assigned suitable weightages, and scores are allocated against these weights.

This systematic approach enables the Bank to proactively identify, assess, and address strategic risks, ensuring that its strategic decisions align with its overall objectives and risk tolerance.

Reputational risk

Reputational risk in banking refers to the potential adverse impact on earnings, assets, liabilities, or brand value resulting from negative stakeholder perceptions of the Bank's business practices, activities, and financial position. The Bank recognises that reputational risk is influenced by a wide range of other business risks related to the conduct of the Bank, and it must be actively managed. The proliferation of social media has further expanded the stakeholder base and increased the sources of reputational risk.

The Bank adopts a comprehensive approach to managing reputational risk, integrating it into the systems and controls established for other risk types such as credit, market, and operational risk. This approach is supported by various policies, including the code of conduct, Anti-Bribery and Anti-Corruption Policy, Conduct Risk Management Policy Framework, Communication Policy, and business ethics that prohibit unethical behaviour. Employees are encouraged to adhere to these policies, promoting ethical conduct in all aspects of their work.

To measure and monitor reputational risk, the Bank employs a detailed scorecard under the Internal Capital Adequacy Assessment Process (ICAAP). This scorecard-based approach provides a structured framework for assessing reputational risk, helping the Bank proactively identify and address potential issues that could impact its reputation. The implementation of the Group Reputational Risk Management Policy framework further formalises these efforts.

Conduct risk

As an organisation that relies on public trust and confidence, the Bank acknowledges the importance of aligning its interests with those of its customers for success and sustainability.

Various factors, such as unfair business practices, professional misbehaviour, ethical lapses, inefficient operations, bribery and corruption, compliance failures, and governance weaknesses, can dent customer confidence in the Bank. Fully cognisant of this, the Bank places significant emphasis on proper conduct and fair outcomes for customers.

The Bank adopts a customer-centric approach that encompasses multiple aspects, including:

- **Accountability:** Holding individuals accountable for their actions and decisions, ensuring that they align with the best interests of customers.
- **Remuneration Structures:** Designing compensation systems that encourage fair and ethical behaviour, discouraging practices that may lead to conduct risk.
- **Compliance with Laws and Regulations:** Ensuring compliance not only in letter but also in spirit, with a commitment to upholding the highest standards of legal and regulatory adherence.
- **Learning Culture:** Fostering a culture of continuous learning, where employees are educated on ethical behaviour, compliance requirements, and best practices.
- **Transparency:** Promoting transparency in operations and decision-making processes, providing clear information to customers and stakeholders.
- **Public Disclosures:** Providing relevant and timely disclosures to the public, fostering trust through open communication.
- **Service Level Agreements (SLAs):** Establishing and adhering to SLAs to ensure the timely and efficient delivery of services to customers.
- **Customer Complaint Handling Procedure:** Implementing a robust procedure for handling customer complaints promptly and fairly.
- **Customer Engagement:** Actively engaging with customers to understand their needs, expectations, and concerns, incorporating their feedback into the improvement of products and services.

To strengthen its commitment to ethical conduct and customer-centric practices, the Bank developed and adopted a Board-approved Conduct Risk Management Policy Framework covering the entire Group in 2022. This framework serves as a guide for managing conduct risk and upholding high standards of behaviour and integrity across the organisation.

Contagion risk

Contagion risk, also known as systemic risk, is a critical concern in the banking sector, and it refers to the potential spillover effects of financial stress or shocks in one country, market, industry, or counterparty, impacting others and causing disturbances or defaults. This risk arises due to the highly interconnected nature of global financial systems and cross-market linkages. A shock in one area can lead to a domino effect, affecting multiple countries, markets, industries, or counterparties, amplifying existing stresses and causing significant disruptions.

The impact of a contagion risk event can be severe, leading to financial volatility, damage to financial systems, and broader economic consequences. The COVID-19 pandemic serves as an example of how a health crisis can trigger financial contagion, affecting global markets and economies.

To address contagion risk, the Bank recognises the need to take additional steps to identify and monitor risk-elevated industries and potential distress among customers, and regions. This monitoring is conducted through the Early Warning Signals (EWS) system, utilising internal data sources. The goal is to proactively identify areas of heightened risk and implement measures to limit the potential impact on the Bank's operations.

Given the ongoing uncertainties related to the pandemic and the path to economic recovery, the Bank is committed to staying vigilant and responsive to potential contagion risks. This involves continuous risk assessment, scenario analysis, and strategic planning to navigate through challenging conditions and safeguard the stability of the financial system.

Model Risk

Model risk is a subset of operational risk that specifically refers to the risk associated with the failure or inaccuracy of financial models used by the Bank. Financial models employ statistical, economic, financial, and mathematical theories, techniques, and assumptions to process data and generate quantitative estimates for managing various risks. When these models fail or produce inaccurate results, it can lead to adverse outcomes for the Bank.

Model risk can arise from various factors, including programming errors, incorrect data input, technical issues, and misinterpretation of model outputs. Given the critical role that models play in decision-making processes, especially in risk management, it is essential to actively manage and mitigate model risk.

The Bank employs several measures to manage model risk effectively:

- **Extensive Testing:** Rigorous testing procedures are implemented to validate the accuracy and reliability of financial models. This includes testing for potential errors, validating assumptions, and ensuring that the model's outputs align with expected results.
- **Robust Governance Policies:** The Bank establishes and adheres to robust governance policies and frameworks that govern the development, validation, and use of financial models. These policies define the standards and procedures that must be followed to ensure the integrity of the models.
- **Independent Reviews:** Independent reviews are conducted to provide an unbiased assessment of the models' effectiveness and accuracy. External experts or internal teams with expertise in model validation may perform these reviews to identify potential issues or areas for improvement.

By implementing these risk management practices, the Bank aims to minimise the likelihood of model failures and enhance the overall reliability of its quantitative estimates for risk management purposes. This proactive approach helps ensure that the models used by the Bank contribute to sound decision-making and support the effective management of various risks.

Bribery and corruption-related risks

The Bank emphasises a strong stance against bribery and corruption, considering them illegal and damaging to its reputation. To address these risks, the Bank has implemented the following measures:

- **Anti-Bribery and Anti-Corruption Policy:** The Bank has a Board-approved Anti-Bribery and Anti-Corruption Policy that outlines principles for countering bribery and corruption. This policy serves as a guide for employees, setting expectations regarding their conduct in relation to bribery, kickbacks, commissions, and corruption. The Anti-Bribery and Anti-Corruption Policy is made accessible in the Bank's official website at <https://www.combank.lk/info/file/91/anti-bribery-and-anti-corruption-policy>. It has also been hosted in the intranet of the Bank for the benefit of the employees.
- **Whistleblowers Charter:** The Bank has a Whistleblowers Charter in place, providing guidelines and protection for employees who report any instances of bribery, corruption, or other unethical behaviour within the organisation. This encourages a culture of accountability and transparency.

- **Guidelines on Gifts and Favours:** The Bank has guidelines regarding the acceptance and offering of gifts or other illegal gratification, as well as the collection of funds or obtaining undue favours from customers and suppliers, holding a Directorship/being a Partner/Shareholder in private companies enumerated in the Code of Ethics and administrative circulars. These guidelines align with the Code of Ethics and aim to prevent situations that may lead to bribery or corruption.
- **Code of Ethics:** In implementing the Code of Ethics and affirming its commitment to the 10th Principle of the UN Global Compact, the Bank expects all employees to adhere to the Code that emphasises the importance of fighting corruption, avoiding abuse of power for personal gain (financial or otherwise), refraining from soliciting or accepting gifts, and ensuring that employees and the Bank are not compromised. No employee of the Bank should offer any bribe or other illegal gratification in order to obtain business for the Bank.
- **Political Contributions:** The Bank does not make any political contributions. The Anti-Bribery and Anti-Corruption Policy explicitly prohibits any form of political contributions.
- **Training and Awareness -** The Bank conducts continuous training and awareness programs to educate staff on Code of Ethics, Whistleblowers Charter and incident-based discussions.

By implementing these measures and fostering a culture of ethical conduct, transparency, and accountability, the Bank aims to mitigate the risks associated with bribery and corruption and uphold its commitment to ethical business practices.

Sustainability risks

The Bank recognises sustainability risks as potential challenges arising from its failure to identify and manage risks related to various aspects in line with its policies, guidelines, commitments, and ambitions. These risks encompass a broad spectrum which include environmental factors such as climate-related concerns, carbon emissions and energy efficiency, social issues pertaining to human rights, diversity, equity & inclusion and community relations, governance factors such as bribery & corruption, ethical conduct of business and even financial crimes, information and IT security. It is acknowledged that sustainability risks may intersect with and influence other risks described earlier. Conversely, incorporation of environmental, social and governance (ESG) considerations and broader sustainability

issues into strategy and day-to-day operations will demonstrate good corporate citizenship and support long term value creation.

Hence, to formalise its approach to sustainability and to ensure that the Bank takes a holistic approach to it, the Bank has adopted a Sustainability Framework. This framework, along with the Social and Environmental Management System (SEMS) and the Social & Environmental Policy, guides the Bank in addressing sustainability risks. The Bank recognises that shortcomings in managing these aspects could lead to adverse consequences, impacting the institution financially, reputationally, and legally.

The Sustainability Framework, SEMS and Social & Environmental Policy are instrumental in shaping the Bank's operations and ensuring that it adheres to sustainable practices. By placing due attention on sustainability, the Bank aims not only to mitigate risks but also to build public confidence and enhance relationships with stakeholders. In managing sustainability-related risks, the Bank relies on established systems and processes, aligning its practices with the broader goals of responsible and sustainable banking.

Capital Adequacy and ICAAP Framework

The Bank adheres to Basel requirements and utilises internal models as stipulated in the Internal Capital Adequacy Assessment Process (ICAAP) framework. ICAAP is a comprehensive framework that enables the Bank to assess its risk profile, stress test risk drivers, and determine internal capital adequacy requirements. Internal limits, often more stringent than regulatory requirements, are implemented to provide early warnings regarding capital adequacy.

ICAAP plays a pivotal role in supporting the supervisory review process, offering valuable insights for evaluating the required capital in alignment with the Bank's future business plans. It facilitates the integration of strategic focus and risk management plans with the capital plan, incorporating inputs from various levels within the organisation, including Senior Management, Management Committees, Board Committees, and the Board itself. The process also considers the potential risks associated with capital inadequacy under stressed conditions, ensuring a holistic and forward-looking approach to capital management.

In addition to its role in assessing capital adequacy, the Internal Capital Adequacy Assessment Process (ICAAP) also serves to support profit optimisation through proactive decision-making on both current and potential exposures. The process involves measuring vulnerabilities through stress testing and scenario-based analysis, enabling

the Bank to identify areas that may require attention in managing both qualitative and quantitative aspects of reputational and strategic risks. Notably, these aspects are not covered under Pillar I of Basel III.

The Bank maintains compliance with both regulatory and prudential requirements for capital adequacy. Thanks to a loyal shareholder base and profitable operations, the Bank is well-positioned to meet its capital requirements in the long term. This ensures sufficient coverage for material risks and supports the Bank's expansion initiatives, particularly as a Domestic Systemically Important Bank (D-SIB).

Basel III minimum capital requirements and buffers

The Banking Act Direction No. 01 of 2016 mandated licensed commercial banks to adhere to the capital requirements outlined in Basel III starting from July 1, 2017. The directive established specific timelines for progressively elevating minimum capital ratios, with full implementation slated for January 1, 2019. This framework also included a Higher Loss Absorbency component for Domestic Systemically Important Banks (D-SIBs). However, in response to the exceptional circumstances brought about by the COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) permitted D-SIBs to utilise their Capital Conservation Buffers, allowing for a drawdown of 100 basis points in 2022.

Target and actual capital

Table – 55

Capital Regulatory ratios	minimum	Goal (internal requirement)	2023	2022
	%	%	%	%
CET 1	8.500	>8.500	11.442	11.389
AT - 1	1.500	>1.500		
Tier I	10.000	>10.000	11.442	11.389
Total	14.000	>14.000	15.151	14.657

The comparison of the Bank's capital status as of December 31, 2023, with the minimum capital requirement stipulated by the Central Bank of Sri Lanka (CBSL) effective from January 1, 2019, underscores the robust capital strength of the Bank. This comparison serves as evidence of the Bank's capacity to meet and exceed the stringent regulatory requirements imposed by the CBSL, even in the face of ongoing economic challenges.

The Internal Capital Adequacy Assessment Process (ICAAP) enables the Bank to conduct periodic assessments of its capital requirements for the ensuing five years, develop plans to augment capital based on the evaluation, and submitted same

for review by the Central Bank of Sri Lanka (CBSL). Unforeseen developments, such as increased impairment provisioning and a substantial rise in risk-weighted assets due to the depreciation of the Rupee against foreign currencies, led the Bank to draw down the Capital Conservation Buffer in 2022. However, the issuances of Basel III-compliant, Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable debentures, along with profits generated have since enabled the Bank to restore its capital adequacy to a level above the minimum requirements.

The Bank has established a "Basel Workgroup" comprising members from various business and support units. This workgroup is tasked with assessing capital adequacy in alignment with the Bank's strategic direction. While the Internal Capital Adequacy Assessment Process (ICAAP) serves as a foundational element for this assessment, the Basel Workgroup is committed to continuous improvement, considering the evolving landscape in different areas. The group provides recommendations to the Asset Liability Committee (ALCO), offering insights on current and future capital requirements, assessments based on anticipated capital expenditure, and desirable capital levels, among other aspects.

In the capital-intensive banking business, the Bank recognises the significance of capital. The institution benefits from a dedicated shareholder base that holds a long-term perspective on the Bank. Prudent dividend policies and the retention of profits over the years contribute to this loyalty. To achieve an optimised level of capital allocation, the Bank consistently seeks ways to improve the judicious allocation of capital for its day-to-day operations. While recognising the challenges associated with raising capital from external sources, the Bank does not exclude this option as a sustainable means to enhance capital in the long run. The Bank expresses confidence in its current capital buffer, considering it adequate to support growth plans and withstand stressed market conditions. However, the Bank remains vigilant and does not become complacent with the current comfort levels, aiming to uphold stakeholder confidence through maintaining sound capital buffer levels.

Stress testing

Conducting stress tests is an integral part of the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar II. The Bank performs stress tests periodically, subjecting its major risk exposures to severe yet plausible shocks. The purpose is to assess the sensitivity of the current and future risk profile in relation to risk appetite and to

understand the impact on the resilience of capital, funding, liquidity, and earnings.

Stress testing not only supports assessment of the resilience of the Bank but also plays a role in strategic planning. Within the framework of ICAAP, stress testing informs various aspects of risk, capital and liquidity management. This includes setting risk appetite triggers and risk tolerance limits, mitigating risks by reviewing and adjusting limits, restricting or reducing exposures, and implementing hedging strategies where appropriate. Additionally, stress testing facilitates the development of risk mitigation or contingency plans across a spectrum of stressed conditions. Moreover, it supports communication with both internal and external stakeholders regarding the Bank's preparedness and resilience under adverse scenarios.

The Bank has established a governance framework for stress testing that outlines the responsibilities and approaches for conducting stress testing activities at various levels, including the Bank, business lines, and different risk types. The stress testing techniques employed encompass scenario analysis, sensitivity analysis, and reverse stress testing, allowing the Bank to assess and understand the potential impact of various stress scenarios.

This framework covers material risks such as credit risk, credit concentration risk, operational risk, liquidity risk, foreign exchange (FX) risk, and interest rate risk in the banking book (IRRBB) using both Economic Value of Equity (EVE) and Earnings at Risk (EAR) perspectives. The Bank evaluates stress levels categorised as Minor, Moderate, and Severe, considering the resulting impact on capital. If stress tests indicate a deterioration in capital that does not breach policy-level requirements, it is classified as Minor risk. A deterioration of up to 1% is considered Moderate risk. If the impact leads to capital falling below the statutory minimum, it is classified as Severe risk, requiring immediate attention of the Board and the management.

Stress testing serves as an effective communication tool, providing a comprehensive view of all risks faced by the Bank in hypothetical stress scenarios. The outcomes of stress testing are reported quarterly to the Executive Integrated Risk Management Committee (EIRMC) and the Board Integrated Risk Management Committee (BIRMC), enabling proactive decision-making. The stress testing results are instrumental in guiding risk tolerance and strategy while fostering a proactive risk management approach.

Extracts from the stress testing results are presented in Table 56 for reference.

Impact on CAR at minor, moderate and severe stress levels

Table – 56

Particulars	Description	2023			2022		
		Minor %	Moderate %	Severe %	Minor %	Moderate %	Severe %
Credit risk – asset quality downgrade	Increase in the direct non-performing facilities over the direct performing facilities for the entire portfolio(1)	-0.55	-1.54	-2.33	-0.42	-1.16	-1.76
Operational risk	Impact of; 1. Top five operational losses during last five years 2. Average of yearly operational risk losses during last three years whichever is higher	-0.03	-0.08	-0.17	-0.04	-0.09	-0.19
Foreign exchange risk	Percentage shock in the exchange rates for the Bank and Maldives operations (gross positions in each Book without netting)	-0.13	-0.39	-0.65	-0.21	-0.39	-0.59
Liquidity risk (LKR) –	1. Withdrawal of percentage of the clients, banks and other banking institution deposits from the Bank within a period of three months 2. Rollover of loans to a period greater than three months	-0.14	-0.33	-0.61	-0.03	-0.12	-0.25
Interest rate risk – EAR and EVE (LKR) – Sri Lanka	To assess the long-term impact of changes in interest rates on Bank's EVE through changes in the economic value of its assets and liabilities and to assess the immediate impact of changes in interest rates on Bank's earnings through changes in its net interest income	-0.72%	-2.08	-4.63	-1.18	-1.69	-1.95

(1) Stress scenarios are based on SLFRS-9 guidelines and staging of credit facilities pursuant to the Banking Act Direction No. 13 of 2021.

Monitoring and reporting

The risk management function at the Bank plays a crucial role in identifying, measuring, monitoring, and reporting risks. The staff members within this function undergo regular training to enhance their skills, and they are supported by advanced IT systems that facilitate data extraction, analysis, and scenario modeling. This combination of skilled personnel and technological tools ensures that the risk management team is well-equipped to fulfill its responsibilities effectively.

The team generates regular and ad-hoc reports on Key Risk Indicators (KRIs) and risk matrices for both the Bank and its subsidiaries. These reports are then reviewed by Senior Management, Executive and Board Committees, and the Board. The insights provided by these reports are instrumental in evaluating risks and providing strategic direction to the Bank.

The reports offer comprehensive information on aggregate risk measures across various dimensions, including products, portfolios, tenures, and

geographies. This information is then compared to agreed-upon policy parameters, offering a clear representation of the risk profile and sensitivities of the risks undertaken by both the Bank and the entire Group. This holistic view aids in strategic decision-making and ensures that the organisation has a thorough understanding of its risk landscape.

Basel III – Market Discipline

Refer Annex 2 on pages 451 to 463 for the minimum disclosure requirements under Pillar III as per the Banking Act Direction No. 01 of 2016.

Refer pages 462 and 463 on Annex 2 for the D-SIB Assessment Exercise disclosed as required by the Banking Act Direction No. 10 of 2019.



FINANCIAL STATEMENTS

The Financial Statements, including the Accounting Policies and accompanying notes, adhere to all relevant Accounting Standards and are devoid of significant misstatements. As affirmed in the Auditors' Report, these Financial Statements provide a true and fair view of the Bank's performance, financial position, changes in equity and cash flows. The Auditors have expressed an unmodified opinion on these Financial Statements, as stated in their "Independent Auditors' Report" to the shareholders.

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Financial calendar – 2023 and 2024

	2023							2024	
	February	March	April	May	August	November	February	March	
Annual General Meeting Calendar									
54th Annual Report and Accounts signed on		24th							
54th Annual General Meeting held on		30th							
55th Annual Report and Accounts signed on							21st		
55th Annual General Meeting to be held on								28th	
Dividend Calendar									
For the year 2022									
Interim – Cash Dividend (Note 1)									
Final – Scrip Dividend				19th					
For the year 2023									
Interim – Cash Dividend (Note 2)									
Final – Cash Dividend (Note 3)									
– Scrip Dividend (Note 3)								28th	

Note 1: The Bank did not declare interim cash dividend during the year ended December 31, 2022, in conformity with the requirements of the Banking Act Direction No. 02 of 2022, dated May 06, 2022, on "Restrictions on Discretionary Payments of Licensed Banks" issued by the Central Bank of Sri Lanka.

Note 2: The Bank did not declare interim cash dividends during the year ended December 31, 2023, in conformity with the requirements of the Banking Act Direction No. 01 of 2023, dated February 02, 2023, on "Restrictions on Discretionary Payments of Licensed Banks" issued by the Central Bank of Sri Lanka.

Note 3: Subject to the recommendation by the Board of Directors and approval by the Shareholders at the 55th Annual General Meeting.

	Published on (2023–2024)				To be published on or before (2024–2025)					
	May	August	November	February	March	May	August	November	February	March
Interim Financial Statements Calendar										
Submission to the Colombo Stock Exchange (CSE) (Note 4)										
For the three months ended/ ending March 31, (unaudited)	15th					15th				
For the six months ended/ ending June 30, (audited)		11th					15th			
For the nine months ended/ ending September 30, (unaudited)			14th					14th		
For the year ended/ ending December 31, (audited)				21st					28th	
Publication in the Newspapers (Note 5)										
English	23rd	22nd	22nd		31st	31st	31st	30th		31st
Sinhala	30th	29th	28th		31st	31st	31st	30th		31st
Tamil	30th	29th	28th		31st	31st	31st	30th		31st

Note 4: In terms of Rule 7.4 of the CSE and as per the requirements of the Central Bank of Sri Lanka.

Note 5: As per the Section 6 of the Circular No. 02 of 2019 dated January 18, 2019 issued by the Bank Supervision Department of the Central Bank of Sri Lanka.

Independent Auditors' Report



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SPF/WDPL

TO THE SHAREHOLDERS OF COMMERCIAL BANK OF CEYLON PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Commercial Bank of Ceylon PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of profit and 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 material accounting policy information.

In our opinion, the accompanying financial statements of the Bank and the Group gives a true and fair view of the financial position of the Bank and the Group as at 31 December 2023, and of its financial performance and its 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 Auditor's 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 for Professional Accountants issued by CA Sri Lanka (Code of Ethics) 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon,

and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons)-MIS MSc-IT, V Shakthivel B.Com (Sp)

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Key audit matter	How our audit addressed the key audit matter
Impairment for Expected Credit Losses of Financial Assets measured at amortised cost Impairment for expected credit losses of financial assets measured at amortised cost comprising of both loans and advances and debt and other instruments as stated in Note 33 and 34, respectively, is determined by management based on the accounting policies described in Note 7.1.12. This was a key audit matter due to • The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating management expectation of future cash flows to recover such financial assets; and • The materiality of the reported amount of Impairment of expected credit losses and use of complex calculations in its determination. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses for financial assets measured at amortised cost included: assumed future occurrence of events and conditions relating to the ongoing foreign currency debt restructuring exercise, forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.	In addressing the adequacy of the Impairment for expected credit losses Financial Assets measured at amortised cost, our audit procedures included the following key procedures. • Assessed the alignment of the Bank's Impairment for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management. • Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. • Evaluated the reasonableness of credit quality assessments and related stage classifications. In addition to the above, the following procedures were performed: • For loans and advances assessed on an individual basis for impairment: • Checked the arithmetical accuracy of the underlying individual impairment calculations. • Evaluated the reasonableness of key inputs used in the allowance for expected credit losses made with particular focus on current economic volatility. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals. • For financial assets assessed on a collective basis for impairment: • Tested the key inputs and the calculations used in the allowance for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. • We assessed the adequacy of the related financial statement disclosures set out in Notes 18, 33 & 66.
Information Technology (IT) systems related internal controls over financial reporting Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: • We obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures. • We involved our internal specialized resources and; • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and • Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. • We tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do 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 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.

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.

Auditor's 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 auditor's 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 scepticism 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 internal controls of the Bank and the Group financial reporting.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

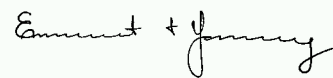
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditor's 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 2199.



Chartered Accountants

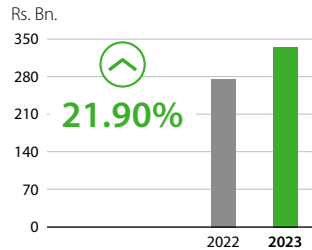
February 21, 2024

Colombo

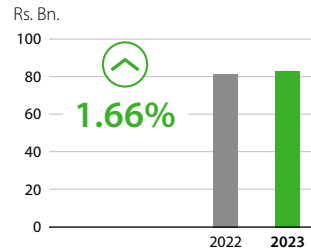
Financial statements highlights – Bank

INCOME STATEMENT

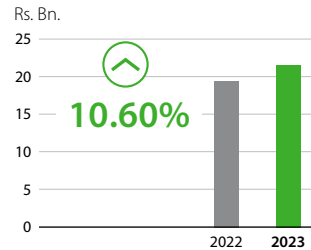
Graph – 60: Gross income



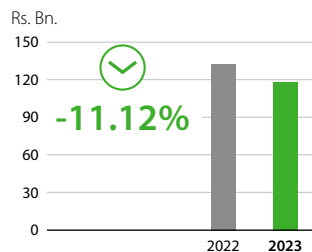
Graph – 61: Net interest income



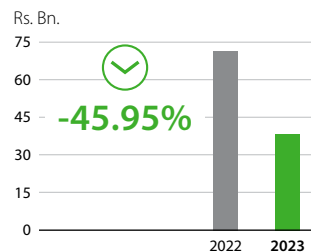
Graph – 62: Net fee and commission income



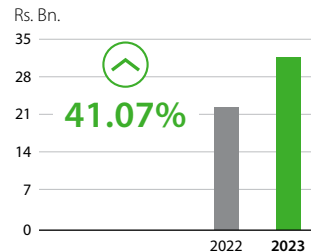
Graph – 63: Total operating income



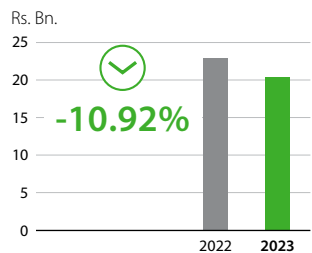
Graph – 64: Impairment charges and other losses



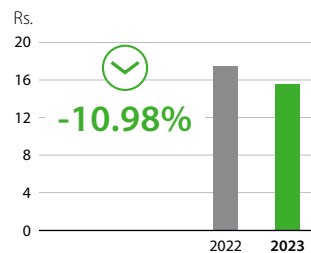
Graph – 65: Profit before tax



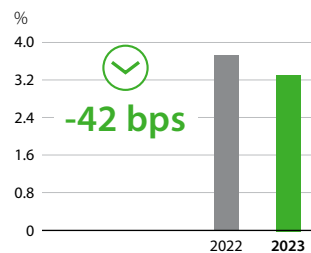
Graph – 66: Profit after tax



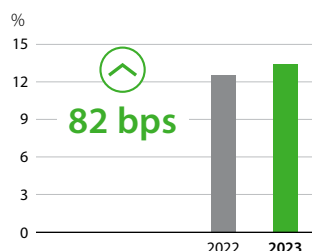
Graph – 67: Earnings per share – Basic



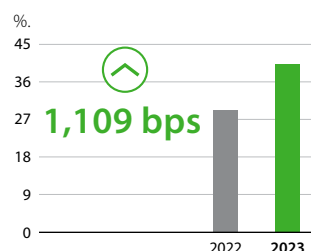
Graph – 68: Interest margin



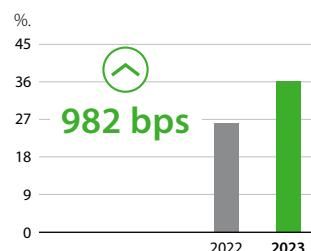
Graph – 69: Financial intermediation margin



Graph – 70: Cost to Income Ratio (including taxes on financial services)

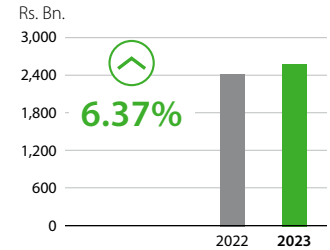


Graph – 71: Cost to Income Ratio (excluding taxes on financial services)

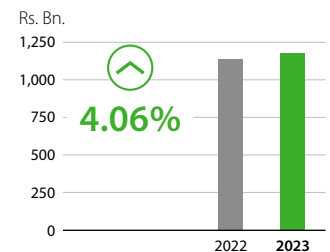


ASSETS AND LIABILITIES

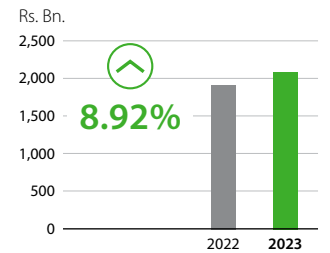
Graph – 72: Total assets



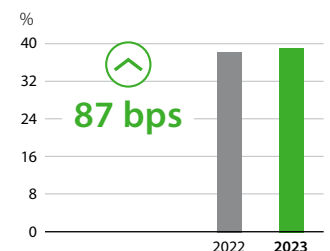
Graph – 73: Financial assets at amortised cost – Loans and advances to other customers (net of impairment)



Graph – 74: Financial liabilities at amortised cost – due to depositors



Graph – 75: CASA Ratio



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Income Statement

			GROUP			BANK		
For the year ended December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	Change %	2023 Rs. '000	2022 Rs. '000	Change %
Gross income	12	302	341,566,200	280,386,944	21.82	335,770,196	275,443,682	21.90
Interest income	13.1	302	297,645,866	222,393,079	33.84	292,618,360	218,326,576	34.03
Less: Interest expense	13.2	303	211,230,507	137,727,868	53.37	209,514,795	136,582,546	53.40
Net interest income	13	302	86,415,359	84,665,211	2.07	83,103,565	81,744,030	1.66
Fee and commission income	14.1	304	30,653,212	26,191,530	17.03	29,704,104	25,463,976	16.65
Less: Fee and commission expense	14.2	305	8,265,893	6,022,429	37.25	8,145,910	5,972,708	36.39
Net fee and commission income	14	304	22,387,319	20,169,101	11.00	21,558,194	19,491,268	10.60
Net gains/(losses) from trading	15	305	(12,481,613)	35,297,450	(135.36)	(12,481,613)	35,297,450	(135.36)
Net gains/(losses) from derecognition of financial assets	16	305	5,060,242	276,884	1,727.57	5,060,242	276,884	1,727.57
Net other operating income	17	306	20,688,493	(3,771,999)	648.48	20,869,103	(3,921,204)	632.21
Total operating income			122,069,800	136,636,647	(10.66)	118,109,491	132,888,428	(11.12)
Less: Impairment charges and other losses	18	306	38,895,070	71,924,260	(45.92)	38,623,739	71,461,622	(45.95)
Net operating income			83,174,730	64,712,387	28.53	79,485,752	61,426,806	29.40
Less: Expenses								
Personnel expenses	19	310	22,824,913	19,788,283	15.35	21,971,734	19,112,546	14.96
Depreciation and amortisation	20	310	4,335,640	3,598,371	20.49	4,283,566	3,563,476	20.21
Other operating expenses	21	311	17,129,279	12,895,587	32.83	16,388,900	12,260,183	33.68
Total operating expenses			44,289,832	36,282,241	22.07	42,644,200	34,936,205	22.06
Operating profit before taxes on financial services			38,884,898	28,430,146	36.77	36,841,552	26,490,601	39.07
Less: Taxes on financial services	22	311	4,961,392	3,921,381	26.52	4,961,392	3,892,216	27.47
Operating profit after taxes on financial services			33,923,506	24,508,765	38.41	31,880,160	22,598,385	41.07
Share of profit/(loss) of associate, net of tax	37.1	336	3,495	(3,727)	193.78	–	–	–
Profit before tax			33,927,001	24,505,038	38.45	31,880,160	22,598,385	41.07
Less: Income tax expense/(reversal)	23	312	12,027,341	105,566	11,293.20	11,419,198	(371,406)	3,174.59
Profit for the year			21,899,660	24,399,472	(10.25)	20,460,962	22,969,791	(10.92)
Profit attributable to:								
Equity holders of the Bank			21,114,675	23,811,914	(11.33)	20,460,962	22,969,791	(10.92)
Non-controlling interest	56	376	784,985	587,558	33.60	–	–	–
Profit for the year			21,899,660	24,399,472	(10.25)	20,460,962	22,969,791	(10.92)
Earnings per share								
Basic earnings per ordinary share (Rs.)	24.1	313	16.07	18.13	(11.36)	15.57	17.49	(10.98)
Diluted earnings per ordinary share (Rs.)	24.1	313	16.06	18.13	(11.42)	15.56	17.49	(11.03)

The Notes appearing on pages 279 to 420 form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

				GROUP			BANK		
For the year ended December 31,				2023 Rs. '000	2022 Rs. '000	Change %	2023 Rs. '000	2022 Rs. '000	Change %
	Note	Page No.							
Profit for the year				21,899,660	24,399,472	(10.25)	20,460,962	22,969,791	(10.92)
Other comprehensive income, net of tax									
Items that will never be reclassified to profit or loss									
Net actuarial gains/(losses) on defined benefit plans				(251,090)	(19,835)	(1,165.89)	(239,530)	(22,166)	(980.62)
Gains/(losses) on remeasurement of defined benefit liability/asset				(304,616)	(85,582)	(255.93)	(288,101)	(88,363)	(226.04)
Less : Deferred tax charge/(reversal) on actuarial gains/(losses)				(53,526)	(65,747)	18.59	(48,571)	(66,197)	26.63
Net change in revaluation surplus				1,341,641	(884,829)	251.63	1,012,171	(799,110)	226.66
Changes in revaluation surplus/(deficit)				1,871,175	–	100.00	1,445,959	–	100.00
Less : Deferred tax charge/(reversal) on revaluation surplus				529,534	884,829	(40.15)	433,788	799,110	(45.72)
Net change in fair value of investments in equity				(13,481)	(233,640)	94.23	(13,481)	(233,640)	94.23
Change in fair value of investments in equity at fair value through other comprehensive income				(13,481)	(233,640)	94.23	(13,481)	(233,640)	94.23
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost, net of tax				–	26,481,256	(100.00)	–	26,481,256	(100.00)
Gain on disposal of investments in equity instruments				–	7,373	(100.00)	–	7,373	(100.00)
Share of other comprehensive income/(expense) of associate, net of tax				207	(1,399)	114.80	–	–	–
Items that are or may be reclassified to profit or loss									
Net gains/(losses) arising from translating the Financial Statements of foreign operations				(12,116,058)	18,347,815	(166.04)	(11,086,172)	14,876,983	(174.52)
Net gains/(losses) on investment in financial assets at fair value through other comprehensive income				1,905,017	(14,194,634)	113.42	1,898,733	(14,188,698)	113.38
Fair value gains/(losses) that arose during the year, net of tax				5,447,186	(15,536,105)	135.06	5,440,902	(15,530,169)	135.03
Fair value gains/(losses) realised to the Income Statement on disposal, net of tax				(3,542,169)	(197,675)	(1,691.92)	(3,542,169)	(197,675)	(1,691.92)
Fair value gains/(losses) recycled to the Income Statement as impairment, net of tax				–	1,539,146	(100.00)	–	1,539,146	(100.00)
Cash flow hedges – effective portion of changes in fair value, net of tax				(36,554)	92,896	(139.35)	(36,554)	92,896	(139.35)
Other comprehensive income/(expense) for the year, net of tax				(9,170,318)	29,595,003	(130.99)	(8,464,833)	26,214,894	(132.29)
Total comprehensive income for the year				12,729,342	53,994,475	(76.42)	11,996,129	49,184,685	(75.61)
Attributable to:									
Equity holders of the Bank				12,341,301	51,939,463	(76.24)	11,996,129	49,184,685	(75.61)
Non-controlling interest				388,041	2,055,012	(81.12)	–	–	–
Total comprehensive income for the year				12,729,342	53,994,475	(76.42)	11,996,129	49,184,685	(75.61)

The Notes appearing on pages 279 to 420 form an integral part of these Financial Statements.

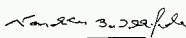
Statement of Financial Position

			GROUP			BANK		
As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	Change %	2023 Rs. '000	2022 Rs. '000	Change %
Assets								
Cash and cash equivalents	28	320	159,701,507	151,109,490	5.69	157,819,287	149,393,611	5.64
Balances with Central Banks	29	321	62,633,503	78,597,120	(20.31)	52,817,502	66,493,499	(20.57)
Placements with banks	30	321	81,506,653	96,082,937	(15.17)	81,344,696	95,899,645	(15.18)
Securities purchased under resale agreements			31,148,729	1,517,308	1,952.89	31,148,729	1,517,308	1,952.89
Derivative financial assets	31	322	7,226,484	8,345,091	(13.40)	7,226,484	8,345,091	(13.40)
Financial assets recognised through profit or loss – measured at fair value	32	323	29,449,653	24,873,057	18.40	29,449,653	24,873,057	18.40
Financial assets at amortised cost – loans and advances to other customers	33	326	1,204,865,597	1,155,492,527	4.27	1,176,359,971	1,130,442,579	4.06
Financial assets at amortised cost – debt and other financial instruments	34	330	685,155,537	761,650,234	(10.04)	649,740,408	725,935,299	(10.50)
Financial assets measured at fair value through other comprehensive income	35	332	287,732,972	118,652,257	142.50	287,023,009	117,056,240	145.20
Investments in subsidiaries	36	334	–	–	–	5,808,429	5,808,429	–
Investment in associate	37	336	59,004	55,302	6.69	44,331	44,331	–
Property, plant and equipment and right-of-use assets	38	337	28,997,246	27,446,607	5.65	26,257,902	25,425,452	3.27
Investment properties	39	349	597,825	80,350	644.03	–	–	–
Intangible assets	40	352	4,289,404	4,113,200	4.28	3,736,504	3,563,120	4.87
Deferred tax assets	41	354	34,511,410	30,727,213	12.32	34,076,526	30,301,203	12.46
Other assets	42	356	37,736,151	40,811,211	(7.53)	37,474,448	40,699,168	(7.92)
Total assets			2,655,611,675	2,499,553,904	6.24	2,580,327,879	2,425,798,032	6.37
Liabilities								
Due to banks	43	356	47,948,578	64,971,170	(26.20)	47,274,361	65,130,061	(27.42)
Derivative financial liabilities	44	356	2,319,209	2,880,667	(19.49)	2,319,209	2,880,667	(19.49)
Securities sold under repurchase agreements			111,186,824	97,726,435	13.77	111,198,516	97,726,435	13.79
Financial liabilities at amortised cost – due to depositors	45	357	2,147,906,858	1,977,743,661	8.60	2,085,046,149	1,914,359,494	8.92
Financial liabilities at amortised cost – other borrowings	46	358	12,756,021	16,150,356	(21.02)	12,756,021	16,150,356	(21.02)
Current tax liabilities	47	358	15,256,244	24,916,074	(38.77)	14,951,984	24,475,319	(38.91)
Deferred tax liabilities	41	354	514,207	437,123	17.63	–	–	–
Other liabilities	48	359	56,266,302	40,354,877	39.43	55,050,477	39,860,573	38.11
Due to subsidiaries	49	367	–	–	–	317,221	115,484	174.69
Subordinated liabilities	50	368	36,482,939	61,400,967	(40.58)	36,482,939	61,400,967	(40.58)
Total liabilities			2,430,637,182	2,286,581,330	6.30	2,365,396,877	2,222,099,356	6.45
Equity								
Stated capital	51	370	62,948,003	58,149,621	8.25	62,948,003	58,149,621	8.25
Statutory reserves	53	373	13,586,534	12,079,670	12.47	12,375,906	11,352,858	9.01
Retained earnings	54	373	9,943,003	6,790,304	46.43	8,558,385	5,592,121	53.04
Other reserves	55	374	133,993,167	131,845,571	1.63	131,048,708	128,604,076	1.90
Total equity attributable to equity holders of the Bank			220,470,707	208,865,166	5.56	214,931,002	203,698,676	5.51
Non-controlling interest	56	376	4,503,786	4,107,408	9.65	–	–	–
Total equity			224,974,493	212,972,574	5.64	214,931,002	203,698,676	5.51
Total liabilities and equity			2,655,611,675	2,499,553,904	6.24	2,580,327,879	2,425,798,032	6.37
Contingent liabilities and commitments	57	377	675,776,516	555,531,537	21.65	668,875,778	549,421,699	21.74
Net assets value per ordinary share (Rs.)	58	379	167.77	168.47	(0.42)	163.55	164.30	(0.46)
Memorandum information								
Number of employees						5,201	5,121	
Number of customer service centres						291	289	

The Notes appearing on pages 279 to 420 form an integral part of these Financial Statements.

Certification

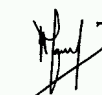
These Financial Statements have been prepared in compliance with requirements of the Companies Act No. 07 of 2007.

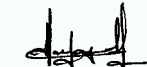

K D N Buddhipala
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board.


Prof A K W Jayawardane
Chairman


Sharhan Muhsee
Deputy Chairman


S C U Manatunge
Managing Director/
Chief Executive Officer


R A P Rajapaksha
Company Secretary

February 21, 2024
Colombo

Statement of Changes in Equity – Group

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000
Balance as at December 31, 2021			54,566,957	10,590,338
Adjustment for surcharge tax levied under the Surcharge Tax Act No. 14 of 2022	54	373	–	–
Adjusted balance as at January 01, 2022			54,566,957	10,590,338
Total comprehensive income for the year 2022				
Profit for the year			–	–
Other comprehensive income, net of tax			–	–
Net actuarial gains/(losses) on defined benefit plans			–	–
Gain on disposal of investments in equity instruments			–	–
Share of other comprehensive income/(expense) of associate, net of tax	55.3	375	–	–
Net change in revaluation surplus	55.1	374	–	–
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	375	–	–
Net gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	375	–	–
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	376	–	–
Total comprehensive income for the year 2022			–	–
Transactions with owners recognised directly in equity, contributions by and distributions to owners				
Issue of ordinary voting shares under employee share option plans	51	370	–	–
Transfer o/a share-based payment transactions	51	370	–	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	373 & 376	–	–
Dividends to equity holders			3,582,664	–
First & final dividend for 2021 satisfied in the form of cash	25	314	–	–
First & final dividend for 2021 satisfied in the form of issue and allotment of new shares	25	314	3,582,664	–
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–
Interim Dividend for 2022			–	–
Share-based payment transactions	55.5	376	–	–
Transfers during the year	53 to 55	373 to 376	–	1,489,332
Total transactions with equity holders			3,582,664	1,489,332
Balance as at December 31, 2022			58,149,621	12,079,670

Retained earnings	Other reserves						Shareholders' funds	Non-controlling interest	Total equity
	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	General reserve			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
9,890,762	11,084,711	(11,979,313)	4,507,072	(56,342)	150,529	88,720,003	167,474,717	2,077,811	169,552,528
(5,205,524)	–	–	–	–	–	–	(5,205,524)	(11,050)	(5,216,574)
4,685,238	11,084,711	(11,979,313)	4,507,072	(56,342)	150,529	88,720,003	162,269,193	2,066,761	164,335,954
23,811,914	–	–	–	–	–	–	23,811,914	587,558	24,399,472
(11,362)	(870,467)	12,051,583	16,864,899	92,896	–	–	28,127,549	1,467,454	29,595,003
(18,735)	–	–	–	–	–	–	(18,735)	(1,100)	(19,835)
7,373	–	–	–	–	–	–	7,373	–	7,373
–	–	(1,399)	–	–	–	–	(1,399)	–	(1,399)
–	(870,467)	–	–	–	–	–	(870,467)	(14,362)	(884,829)
–	–	12,052,982	–	–	–	–	12,052,982	–	12,052,982
–	–	–	16,864,899	–	–	–	16,864,899	1,482,916	18,347,815
–	–	–	–	92,896	–	–	92,896	–	92,896
23,800,552	(870,467)	12,051,583	16,864,899	92,896	–	–	51,939,463	2,055,012	53,994,475
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
(8,926,154)	–	–	–	–	–	–	(5,343,490)	(14,365)	(5,357,855)
(5,373,996)	–	–	–	–	–	–	(5,373,996)	(10,800)	(5,384,796)
(3,582,664)	–	–	–	–	–	–	–	–	–
30,506	–	–	–	–	–	–	30,506	35	30,541
–	–	–	–	–	–	–	–	(3,600)	(3,600)
–	–	–	–	–	–	–	–	–	–
(12,769,332)	–	–	–	–	–	11,280,000	–	–	–
(21,695,486)	–	–	–	–	–	11,280,000	(5,343,490)	(14,365)	(5,357,855)
6,790,304	10,214,244	72,270	21,371,971	36,554	150,529	100,000,003	208,865,166	4,107,408	212,972,574

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000
Total comprehensive income for the year 2023				
Profit for the year			–	–
Other comprehensive income, net of tax			–	–
Net actuarial gains/(losses) on defined benefit plans			–	–
Gain on disposal of investments in equity instruments			–	–
Share of other comprehensive income/(expense) of associate, net of tax	55.3	375	–	–
Net change in revaluation surplus	55.1	374	–	–
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	55.1	374	–	–
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	375	–	–
Net gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	375	–	–
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	376	–	–
Total comprehensive income for the year 2023			–	–
Transactions with owners recognised directly in equity, contributions by and distributions to owners				
Issue of ordinary voting shares under employee share option plans	51	370	51,740	–
Transfer o/a share-based payment transactions	51	370	4,491	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	373 & 376	–	–
Dividends to equity holders			4,742,151	–
First & final dividend for 2022 satisfied in the form of cash	25	314	–	–
First & final dividend for 2022 satisfied in the form of issue and allotment of new shares	25	314	4,742,151	–
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–
Interim dividend for 2023			–	–
Share-based payment transactions	55.5	376	–	–
Transfers to non-distributable capital reserve	33.2 (a)	328	–	27,750
Transfers during the year	53 to 55	373 to 376	–	1,479,114
Total transactions with equity holders			4,798,382	1,506,864
Balance as at December 31, 2023			62,948,003	13,586,534

The Notes appearing on pages 279 to 420 form an integral part of these Financial Statements.

Retained earnings	Other reserves						Shareholders' funds	Non-controlling interest	Total equity
	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	General reserve			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
21,114,675	–	–	–	–	–	–	21,114,675	784,985	21,899,660
(241,899)	1,287,844	1,891,743	(11,674,508)	(36,554)	–	–	(8,773,374)	(396,944)	(9,170,318)
(251,035)	–	–	–	–	–	–	(251,035)	(55)	(251,090)
–	–	–	–	–	–	–	–	–	–
–	–	207	–	–	–	–	207	–	207
–	1,296,980	–	–	–	–	–	1,296,980	44,661	1,341,641
9,136	(9,136)	–	–	–	–	–	–	–	–
–	–	1,891,536	–	–	–	–	1,891,536	–	1,891,536
–	–	–	(11,674,508)	–	–	–	(11,674,508)	(441,550)	(12,116,058)
–	–	–	–	(36,554)	–	–	(36,554)	–	(36,554)
20,872,776	1,287,844	1,891,743	(11,674,508)	(36,554)	–	–	12,341,301	388,041	12,729,342
–	–	–	–	–	–	–	51,740	–	51,740
–	–	–	–	–	(4,491)	–	–	–	–
47,510	–	–	–	–	(67,871)	–	(20,361)	–	(20,361)
(5,558,473)	–	–	–	–	–	–	(816,322)	(14,367)	(830,689)
–	–	–	–	–	–	–	–	(10,800)	(10,800)
(5,579,001)	–	–	–	–	–	–	(836,850)	–	(836,850)
20,528	–	–	–	–	–	–	20,528	33	20,561
–	–	–	–	–	–	–	–	(3,600)	(3,600)
–	–	–	–	–	21,433	–	21,433	–	21,433
–	–	–	–	–	–	–	27,750	22,704	50,454
(12,209,114)	–	–	–	–	–	10,730,000	–	–	–
(17,720,077)	–	–	–	–	(50,929)	10,730,000	(735,760)	8,337	(727,423)
9,943,003	11,502,088	1,964,013	9,697,463	–	99,600	110,730,003	220,470,707	4,503,786	224,974,493

Statement of Changes in Equity – Bank

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000
Balance as at December 31, 2021			54,566,957	10,204,368
Adjustment for surcharge tax levied under the Surcharge Tax Act No. 14 of 2022	54	374	–	–
Adjusted balance as at January 01, 2022			54,566,957	10,204,368
Total comprehensive income for the year 2022				
Profit for the year			–	–
Other comprehensive income, net of tax			–	–
Net actuarial gains/(losses) on defined benefit plans			–	–
Gain on disposal of investments in equity instruments			–	–
Net change in revaluation surplus	55.1	374	–	–
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	375	–	–
Net gains/(losses) arising from translating the Financial Statements of the foreign operations	55.4	375	–	–
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	376	–	–
Total comprehensive income for the year 2022			–	–
Transactions with owners recognised directly in equity, contributions by and distributions to owners				
Issue of ordinary voting shares under employee share option plans	51	370	–	–
Transfer o/a share-based payment transactions	51	370	–	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	373 & 376	–	–
Dividends to equity holders			3,582,664	–
First & final dividend for 2021 satisfied in the form of cash	25	314	–	–
First & final dividend for 2021 satisfied in the form of issue and allotment of new shares	25	314	3,582,664	–
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–
Share-based payment transactions	55.5	376	–	–
Transfers during the year	53 to 55	373 to 376	–	1,148,490
Total transactions with equity holders			3,582,664	1,148,490
Balance as at December 31, 2022			58,149,621	11,352,858

Retained earnings	Other reserves						Shareholders' funds	Non-controlling interest	Total equity
	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	General reserve			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
9,028,265	10,195,652	(11,980,175)	4,064,722	(56,342)	150,529	88,720,003	164,893,979	–	164,893,979
(5,036,184)	–	–	–	–	–	–	(5,036,184)	–	(5,036,184)
3,992,081	10,195,652	(11,980,175)	4,064,722	(56,342)	150,529	88,720,003	159,857,795	–	159,857,795
22,969,791	–	–	–	–	–	–	22,969,791	–	22,969,791
(14,793)	(799,110)	12,058,918	14,876,983	92,896	–	–	26,214,894	–	26,214,894
(22,166)	–	–	–	–	–	–	(22,166)	–	(22,166)
7,373	–	–	–	–	–	–	7,373	–	7,373
–	(799,110)	–	–	–	–	–	(799,110)	–	(799,110)
–	–	12,058,918	–	–	–	–	12,058,918	–	12,058,918
–	–	–	14,876,983	–	–	–	14,876,983	–	14,876,983
–	–	–	–	92,896	–	–	92,896	–	92,896
22,954,998	(799,110)	12,058,918	14,876,983	92,896	–	–	49,184,685	–	49,184,685
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
(8,926,468)	–	–	–	–	–	–	(5,343,804)	–	(5,343,804)
(5,373,996)	–	–	–	–	–	–	(5,373,996)	–	(5,373,996)
(3,582,664)	–	–	–	–	–	–	–	–	–
30,192	–	–	–	–	–	–	30,192	–	30,192
–	–	–	–	–	–	–	–	–	–
(12,428,490)	–	–	–	–	–	11,280,000	–	–	–
(21,354,958)	–	–	–	–	–	11,280,000	(5,343,804)	–	(5,343,804)
5,592,121	9,396,542	78,743	18,941,705	36,554	150,529	100,000,003	203,698,676	–	203,698,676

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000
Total comprehensive income for the year 2023				
Profit for the year			–	–
Other comprehensive income, net of tax			–	–
Net actuarial gains/(losses) on defined benefit plans			–	–
Gain on disposal of investments in equity instruments			–	–
Net change in revaluation surplus	55.1	374	–	–
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	55.1	374	–	–
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	375	–	–
Net gains/(losses) arising from translating the Financial Statements of the foreign operations	55.4	375	–	–
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	376	–	–
Total comprehensive income for the year 2023			–	–
Transactions with owners recognised directly in equity, contributions by and distributions to owners				
Issue of ordinary voting shares under employee share option plans	51	370	51,740	–
Transfer o/a share-based payment transactions	51	370	4,491	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	373 & 376	–	–
Dividends to equity holders			4,742,151	–
First & final dividend for 2022 satisfied in the form of cash	25	314	–	–
First & final dividend for 2022 satisfied in the form of issue and allotment of new shares	25	314	4,742,151	–
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–
Share-based payment transactions	55.5	376	–	–
Transfers during the year	53 to 55	373 to 376	–	1,023,048
Total transactions with equity holders			4,798,382	1,023,048
Balance as at December 31, 2023			62,948,003	12,375,906

The Notes appearing on pages 279 to 420 form an integral part of these Financial Statements.

Retained earnings	Other reserves						Shareholders' funds	Non-controlling interest	Total equity
	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	General reserve			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
20,460,962	–	–	–	–	–	–	20,460,962	–	20,460,962
(230,394)	1,003,035	1,885,252	(11,086,172)	(36,554)	–	–	(8,464,833)	–	(8,464,833)
(239,530)	–	–	–	–	–	–	(239,530)	–	(239,530)
–	–	–	–	–	–	–	–	–	–
–	1,012,171	–	–	–	–	–	1,012,171	–	1,012,171
9,136	(9,136)	–	–	–	–	–	–	–	–
–	–	1,885,252	–	–	–	–	1,885,252	–	1,885,252
–	–	–	(11,086,172)	–	–	–	(11,086,172)	–	(11,086,172)
–	–	–	–	(36,554)	–	–	(36,554)	–	(36,554)
20,230,568	1,003,035	1,885,252	(11,086,172)	(36,554)	–	–	11,996,129	–	11,996,129
–	–	–	–	–	–	–	51,740	–	51,740
–	–	–	–	–	(4,491)	–	–	–	–
47,510	–	–	–	–	(67,871)	–	(20,361)	–	(20,361)
(5,558,766)	–	–	–	–	–	–	(816,615)	–	(816,615)
–	–	–	–	–	–	–	–	–	–
(5,579,001)	–	–	–	–	–	–	(836,850)	–	(836,850)
20,235	–	–	–	–	–	–	20,235	–	20,235
–	–	–	–	–	21,433	–	21,433	–	21,433
(11,753,048)	–	–	–	–	–	10,730,000	–	–	–
(17,264,304)	–	–	–	–	(50,929)	10,730,000	(763,803)	–	(763,803)
8,558,385	10,399,577	1,963,995	7,855,533	–	99,600	110,730,003	214,931,002	–	214,931,002

Statement of Cash Flows

			GROUP		BANK	
For the year ended December 31,			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note	Page No.				
Cash flows from operating activities						
Profit before income tax			33,927,001	24,505,038	31,880,160	22,598,385
Adjustments for:						
Non-cash items included in profit before tax	63	388	36,135,811	91,299,070	35,977,444	90,747,133
Change in operating assets	64	389	(178,560,551)	(463,345,077)	(177,671,173)	(424,402,972)
Change in operating liabilities	65	389	181,930,677	430,778,836	181,162,526	396,536,876
(Gains)/losses on sale of property, plant and equipment	17	306	(21,048)	(20,118)	(3,167)	(10,868)
Share of (profit)/loss of associate, net of tax	37.1	336	(3,495)	3,727	–	–
Dividends received from investments in associate and subsidiaries	17	306	–	–	(384,601)	(109,600)
Interest expense on subordinated liabilities	13.2	303	5,247,288	4,843,571	5,247,288	4,843,571
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	375	(12,116,058)	18,347,815	(11,086,172)	14,876,983
Benefits paid on defined benefit plans			(610,920)	(780,828)	(601,335)	(765,208)
Income tax paid	47	358	(25,270,440)	(11,143,271)	(24,526,988)	(10,643,395)
Surcharge tax paid			–	(5,216,574)	–	(5,036,184)
Net cash from/(used in) operating activities			40,658,265	89,272,189	39,993,982	88,634,721
Cash flows from investing activities						
Purchase of property, plant and equipment	38.1 to 38.4	338 to 342	(2,826,122)	(3,370,339)	(2,576,818)	(3,144,592)
Proceeds from sale of property, plant and equipment			33,221	47,856	15,092	12,132
Purchase of financial investments			–	(1,200,000)	–	(1,200,000)
Proceeds from sale and maturity of financial investments			1,061,999	952,369	1,061,999	952,369
Purchase of intangible assets	40.1 & 40.2	353	(1,142,983)	(2,224,915)	(1,115,994)	(2,218,024)
Dividends received from investments in associate and subsidiaries	17	306	–	–	384,601	109,600
Net cash from/(used in) investing activities			(2,873,885)	(5,795,029)	(2,231,120)	(5,488,515)
Cash flows from financing activities						
Proceeds from issue of ordinary voting shares under employee share option plans	51	370	51,740	–	51,740	–
Proceeds from issue of subordinated liabilities	50	368	12,000,000	10,000,000	12,000,000	10,000,000
Redemption of subordinated liabilities	50	368	(32,393,840)	–	(32,393,840)	–
Interest paid on subordinated liabilities			(6,249,529)	(4,283,280)	(6,249,529)	(4,283,280)
Payment of lease liabilities/advance payment of right-of-use assets			(1,745,373)	(2,055,498)	(1,904,590)	(2,197,452)
Dividend paid to shareholders			(3,222)	(5,343,490)	(3,222)	(5,343,804)
Withholding tax paid on scrip dividend			(836,850)	–	(836,850)	–
Dividend paid to non-controlling interest	56	376	(14,367)	(14,365)	–	–
Net cash from/(used in) financing activities			(29,191,441)	(1,696,633)	(29,336,291)	(1,824,536)
Net increase/(decrease) in cash and cash equivalents			8,592,939	81,780,527	8,426,571	81,321,670
Cash and cash equivalents as at January 01,			151,123,519	69,342,992	149,407,301	68,085,631
Gross cash and cash equivalents as at December 31,	28	320	159,716,458	151,123,519	157,833,872	149,407,301
Less: Impairment charges on cash and cash equivalents	28.1	320	(14,951)	(14,029)	(14,585)	(13,690)
Cash and cash equivalents as per Statement of Financial Position	28	320	159,701,507	151,109,490	157,819,287	149,393,611

The Notes appearing on pages 279 to 420 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Reporting Entity

1.1 Corporate information

Commercial Bank of Ceylon PLC (the "Bank") is a public limited liability company listed on the Colombo Stock Exchange (CSE), incorporated on June 25, 1969 under the Companies Ordinance No. 51 of 1938, and domiciled in Sri Lanka. It is a licensed commercial bank regulated under the Banking Act No. 30 of 1988 and amendments thereto (Banking Act). The Bank was re-registered under the Companies Act No. 07 of 2007 on January 23, 2008, under the Company Registration No. PQ 116. The registered office of the Bank is situated at "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka.

The ordinary shares of the Bank (both Ordinary Voting and Non-Voting shares) have a primary listing on the CSE. The unsecured subordinated debentures of the Bank are also listed on the CSE.

The staff strength of the Group and the Bank was as follows:

As at December 31,	2023	2022
Group	5,946	5,749
Bank	5,201	5,121

Corporate information is presented in the inner back cover of this Annual Report.

1.2 Consolidated Financial Statements

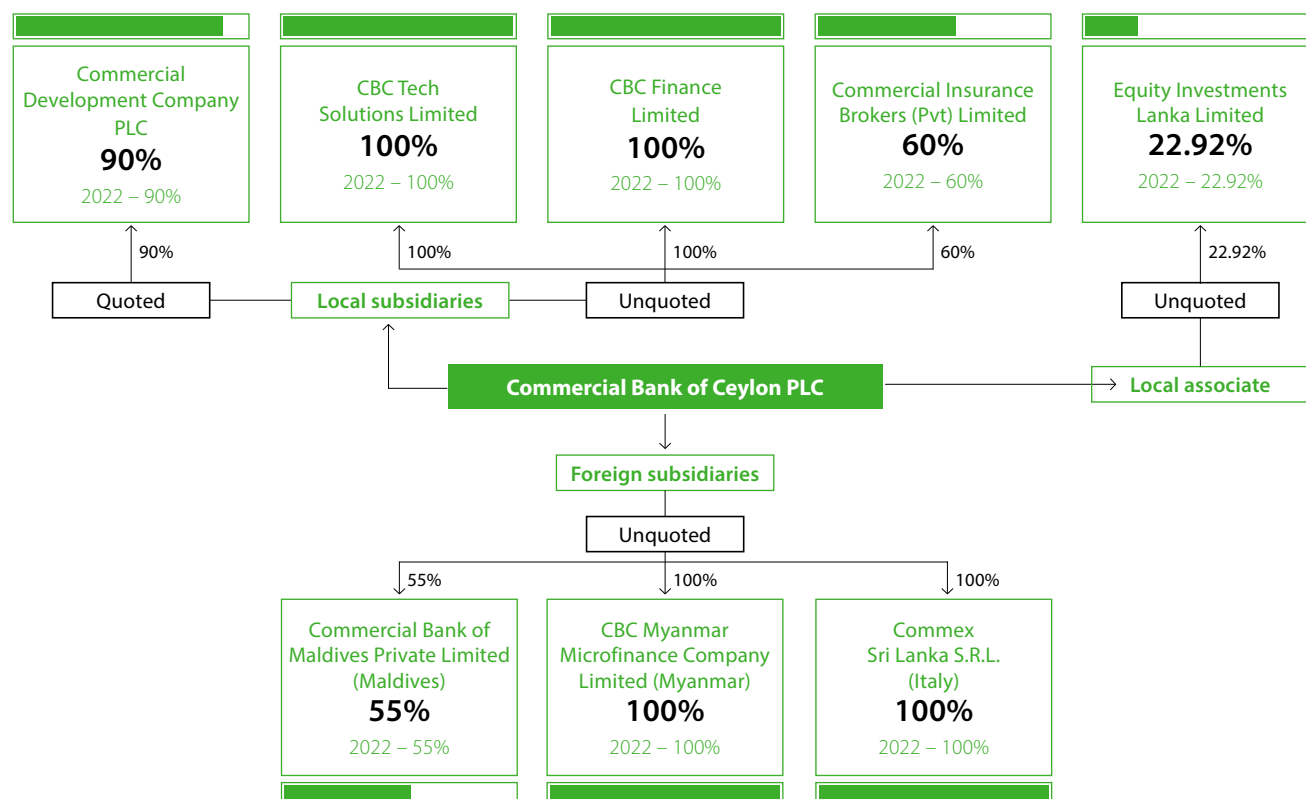
The Consolidated Financial Statements as at and for the year ended December 31, 2023, comprise the Bank (Parent Company) and its Subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its Associate.

The Bank does not have an identifiable parent of its own. The Bank is the Ultimate Parent of the Group.

1.3 Principal business activities, nature of operations of the Group and ownership by the Bank in its subsidiaries and associate

Group structure

Figure – 49



Principal business activities and nature of business operations of the Group

Table – 57

Entity	Principal business activities
Commercial Bank of Ceylon PLC	Banking and related activities such as accepting deposits, personal banking, trade financing, offshore banking, RFC & NRFC operations, travel-related services, corporate and retail credit, syndicated financing, project financing, investment banking, development banking, lease & hire purchase, rural credit, issuing of local and international debit and credit cards, internet banking, mobile banking, money remittance facilities, dealing in Government Securities and treasury-related products, salary remittance package, bullion trading, export and domestic factoring, pawning, margin trading, digital banking services, bancassurance and Islamic banking products and services etc.
Local subsidiaries	
Commercial Development Company PLC (CDC)	Property development, related ancillary services and providing manpower needs for various support services which are unrelated to providing core banking services to the customers of the Bank (parent).
CBC Tech Solutions Limited	Providing Information and Communication Technology (ICT) related products, services and solutions to the corporate sector.
CBC Finance Limited	Granting of lease facilities, hire purchase, mortgage loans and other credit facilities and accepting deposits.
Commercial Insurance Brokers (Pvt) Limited (CIBL)	Providing professional service and handling all insurance portfolios of individuals as well as many leading and reputed organisations in Sri Lanka engaged in diverse business activities.
Foreign subsidiaries	
Commercial Bank of Maldives Private Limited (CBM)	Offering of an extensive range of banking and related financial services such as accepting deposits, retail banking, trade financing, corporate and retail credit, project financing, development banking, tele-banking, internet banking, mobile banking, money remittance facilities, dealing in Government securities and treasury-related products etc.
CBC Myanmar Microfinance Company Limited	Operating as a non-deposit taking microfinance institution throughout Myanmar providing micro financial services to the lower segment of the market, and to engage in all activities reasonably allowed by the Microfinance Supervisory Authority of Myanmar.
Commex Sri Lanka S.R.L - Italy (Commex)	Operated as an agent to the Bank (parent) for opening accounts, providing money transfer services, issuance and encashment of foreign currencies and travelers cheques, collecting applications for credit facilities and handling of ATM cards etc. (The Company is under voluntary liquidation and the liquidation is nearing completion).
Local associate	
Equity Investments Lanka Limited	Project financing in the form of equity, quasi equity and other corporate debt instruments of new and existing ventures in Sri Lanka.

2. Basis of Accounting

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto (Companies Act) and the Banking Act and provide appropriate disclosures as required by the Listing Rules of the CSE. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at the website of CA Sri Lanka – www.casrilanka.com.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's Material Accounting Policies followed during the year are given in Notes 6 to 10 on pages 289 to 301.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in the Circular No. 02 of 2019 dated January 18, 2019, on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also published annual and quarterly financial information and other disclosures in the Annual Report, Press and the Website in compliance with Section 4.2 of the aforementioned Circular.

2.2 Responsibility for Financial Statements

The Board of Directors of the Bank is responsible for the preparation and presentation of the Financial Statements of the Group and the Bank as per the provisions of the Companies Act and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibility for Financial Reporting" and the certification on the Statement of Financial Position on page 3, 224 and 269, respectively.

These Financial Statements include the following components:

- Income Statement and a Statement of Profit or Loss and Other Comprehensive Income (OCI) – which provides the information on the financial performance

of the Group and the Bank for the year under review. Refer pages 267 and 268;

- Statement of Financial Position (SOF) – which provides the information on the financial position of the Group and the Bank as at the year end. Refer page 269;
- Statement of Changes in Equity- which depicts all changes in shareholders' funds during the year under review of the Group and the Bank. Refer pages 270 to 277;
- Statement of Cash Flows- which provides the information to the users, on the ability of the Group and the Bank to generate cash and cash equivalents and utilisation of those cash flows. Refer page 278;
- Notes to the Financial Statements comprising Material Accounting Policy Information and other explanatory information. Refer pages 279 to 420.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Bank for the year ended December 31, 2023 (including comparatives for 2022), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on February 21, 2024 (The Financial Statements of the Group and the Bank for the year ended December 31, 2022, were approved and authorised for issue by the Board of Directors on February 24, 2023).

2.4 Basis of measurement

The Financial Statements of the Group have been prepared on the historical cost basis except for the following material items stated in the SOFP.

Basis of measurement

Table – 58

Items	Basis of measurement	Note Number/s	Page/s
Financial instruments measured at fair value through profit or loss including derivative financial instruments	Fair value	31, 32 and 44	322, 323 and 356
Financial assets measured at fair value through other comprehensive income	Fair value	35	332
Land and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	38	337
Investment property	Measured at cost at the time of acquisition and subsequently at fair value	39	349
Defined benefit obligation	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses	48	359
Equity settled share-based payment arrangements	Fair value on grant date	52	371

2.5 Going concern basis of accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Bank has considered the possible impact of the down side economic scenarios and climate-related matters on their going concern assessment.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

Considering a wide range of factors including history of profitable operations, strong liquidity positions and the availability of stable external funding sources, diversified lending profile and the initiatives taken to strengthen risk monitoring at borrower level, the Management is satisfied that the going concern basis is appropriate.

2.6 Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the Bank operates (the functional currency).

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that functional currency. There was no change in the Group's presentation and functional currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency.

The information presented in US Dollars in Annex 8 in the Section on "Supplementary Information" on pages 478 and 479 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

2.7 Presentation of Financial Statements

The assets and liabilities of the Group presented in the SOFP are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis on recovery or settlement within 12 months and more than 12 months from the reporting date is presented in Note 60 on pages 380 and 381.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on “Presentation of Financial Statements” (LKAS 1).

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the SOFP, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the IFRS Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Material Accounting Policy Information of the Group.

2.10 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the LKAS 1 and amendments to the LKAS 1 on “Disclosure Initiative” which was effective from January 1, 2016.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Bank. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.11 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.12 Use of significant accounting judgements and assumptions and estimates

In preparing the Financial Statements of the Group in conformity with SLFRSs and LKASs,

the Management has made judgements, estimates and assumptions about the future, including climate related risks and opportunities which 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 and are consistent with the Group's risk management and climate related commitments where appropriate. Revisions to accounting estimates are recognised prospectively.

Significant areas of critical judgements, assumptions and estimation uncertainty, in applying the Accounting Policies that have material effects on the amounts recognised in the Financial Statements of the Group are as follows:

A. Significant Accounting Judgements

Information about judgements made in applying the Accounting Policies that have material effects on the amounts recognised in these Financial Statements is included in Notes 2.12.1 to 2.12.3 below.

2.12.1 Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 36 on page 334 indicates that the Group controls the investees.

2.12.2 Classification of financial assets and liabilities

The Material Accounting Policy Information of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 7.1.3.1 on page 291.
- The contractual cash flow characteristics of the financial assets as set out in Note 7.1.3.2 on page 291.

2.12.3 Classification of investment property

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as Investment Property. On the other hand, a property used in the production or supply of goods and services or for administrative purposes and thus generates cash flows that are attributable not only to that property but also to other assets used in the production or supply process are classified as Property,

Plant & Equipment. The Group assesses on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 2.12.4 to 2.12.14 below.

2.12.4 Fair value of financial instruments

The fair values of financial assets and financial liabilities recognised on the SOFP, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 27 on pages 316 to 320.

2.12.5 Impairment losses on financial assets

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard-SLFRS 9 on “Financial Instruments” (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances portfolio at each reporting date to assess whether an impairment loss should be recognised in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the Group's ECL models that are considered accounting judgements and estimates include:

- Criteria for qualitatively assessing whether there has been a significant increase in credit risk (SICR) and if so allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis.
- Segmentation of financial assets when their ECL is assessed on a collective basis.
- Various statistical formulas and the choice of inputs used in the development of ECL models.
- Associations between macroeconomic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect of these inputs on Probability of Default (PDs), Loss Given Default (LGD) and Exposure At Default (EAD).
- Forward-looking macroeconomic scenarios and their probability weightings.

As such, the accuracy of the impairment provision depends on the model assumptions and parameters used in determining the ECL calculations.

In response to the Group's expectations of economic impacts due to uncertainties, key assumptions used in the Group's calculation of ECL have been revised. As at the reporting date, the expected impacts of the economic uncertainties have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts in the economy. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to any possible adverse scenarios, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

Accordingly, the Bank took steps to identify the customers showing distress signs in identifying SICR under the individual impairment assessment. Under the collective assessment, customers operating in risk elevated industries including tourism and hospitality, selected personal loan categories, few subsectors under export, industrial, agricultural, arts & entertainment, transportation, construction & infrastructure development and other services categories were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating

in these industries have been classified as Stage 2 unless such exposures are individually significant and have specifically been identified as Stage 1 reflecting forward looking view of the economy in relation to the business.

During 2023, the Bank reviewed the weightages assigned for base case, best case and worst case scenarios when assessing the probability weighted forward looking macro-economic indicators in line with the latest available information. Further, the Bank reviewed the default point when assessing the EAD under collective impairment paying due consideration for future economic uncertainties. The Bank used Expert credit judgement in assessing individual significant customers and ensured adequate provisions are made considering riskiness of the customers.

Early observations of payment behaviour of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

Refer Note 18 on page 306 for details.

2.12.6 Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash Generating Unit (CGU) at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the Value in use (VIU) of such individual assets or the CGUs. Estimating VIU requires the Management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant future cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

Refer Note 7.6 on page 297 for details.

2.12.7 Revaluation of property, plant and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through OCI. The Group engages independent professional valuers to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on “Fair Value Measurement” (SLFRS 13). The key assumptions used to determine the fair value of the land and building and sensitivity analyses are provided in Notes 38.5 (b) and 38.5 (c) on pages 343 to 348.

2.12.8 Useful lifetime of the property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Refer Note 20 on page 310.

2.12.9 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties at similar locations and categories. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in detail in Note 39 on page 349.

2.12.10 SLFRS 16 – leases

2.12.10.1 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2.12.10.2 Estimating the incremental borrowing rate

As the Group cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate (“IBR”) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Group estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.12.11 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 and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Refer Note 41 on page 354 for details.

2.12.12 Defined benefit obligation

The costs of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, future pension increase, etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The Bank generally uses the long-term treasury bond rate as the discount rate for the purpose of assessing the present value of future obligations. The treasury bond rates increased significantly during the year 2022 and was around 30% range during the latter part of 2022. As per the “Frequently Asked Questions (FAQs) on Use of Discount rate under the uncertain Economic Conditions” issued by the CA Sri Lanka, an adjusted treasury bond rate could be considered as the discount rate for the purpose of the actuarial valuations as at December 31, 2022, on the basis that the then prevailed treasury bond rates did not reflect only the time value of money. Accordingly, an adjusted discount rate of 18% was derived by removing a credit spread from the treasury bond rate.

Refer Note 48 on pages 359 to 367 for the assumptions used.

2.12.13 Impact of climate risk

Climate risks are potential negative impact on the Group arising from climate change. The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transition risks:

ECL: Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. On the whole, the Group is of the view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risks associated with climate change. For example, the majority of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high risk geographical areas. It was also noted that for a significant part of the portfolio, the time horizon for any physical impact of climate risk is longer than the maturity of most of the assets as described in Note 60 on page 380.

Fair value measurement: The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13. The Bank has concluded that climate risk has been adequately reflected within the fair value.

2.12.14 Provisions for liabilities, commitments and contingencies

The Group receives legal claims in the normal course of business. 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.

Information about significant areas of estimation uncertainty and critical judgements in applying Accounting Policies other than those stated above that have material effects on the amounts recognised in the Consolidated Financial Statements are described in Notes 7.10 to 7.15 on pages 299 and 300.

2.13 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 68 on page 420, where necessary.

3. Financial Risk Management

3.1 Introduction and overview

Like any other business model, risk is inherent in the Bank’s activities too and attempts to manage through a process

of ongoing identification, measurement and monitoring, subject to risk limits and controls are adopted to mitigate possible consequences arising out of volatile and fluid outcomes in the internal and external environment.

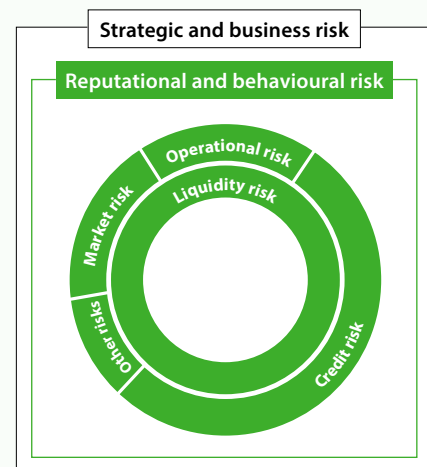
The process of risk management is identified as critical to maintain Bank’s continuing profitability. Managing the changing stakeholder dynamics whilst preserving culture and value system of the Bank is considered as a priority in the business operation.

The Group has exposure mainly to the following broad risk categories arising out of its business activities that are undertaken in its day to day functions:

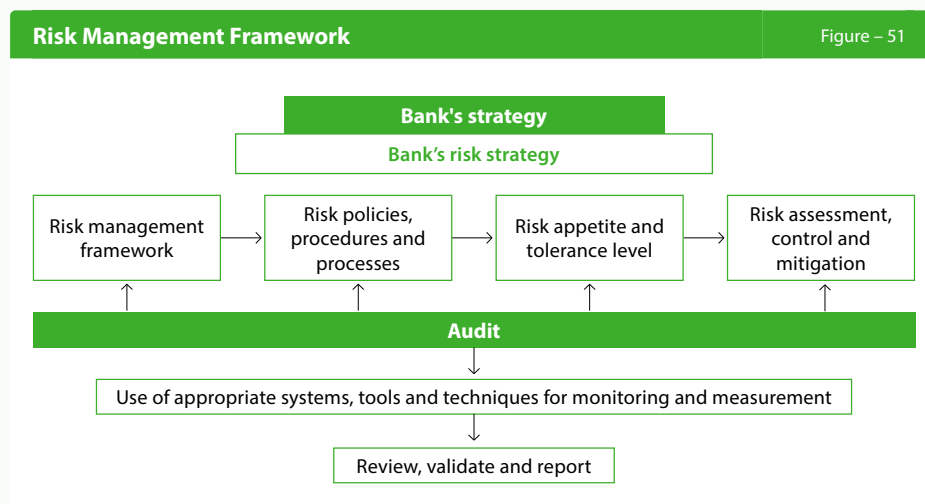
- Strategic and business risk;
- Credit risk;
- Reputational risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Conduct risk;
- Social and environmental risk.

Key risks faced by the Bank mainly associated with the post impact of social-political-economic uncertainties and pit falls faced by the country in 2022 and the strategies adopted by the Government to address them. The global economy is signalling for a recession in 2024. Uncertainties prevailed in the business environment and the nuances and correlations associated with different key risk categories acted as major challenges in this continuously evolving risk universe which is going through a constant state of flux.

Figure – 50: Types of risk



3.2 Bank's risk management framework



The Board of Directors of the Bank has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework.

The Risk Management Framework of the Bank translates overall risk appetite on business activities in a holistic approach to provide the guidance required for convergence of strategic and risk perspectives of the Bank.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. The Risk Management Policy Framework constitutes the Credit Policy, Lending Guidelines, Credit Risk Review Policy, ALM Policy including Contingency Funding Plan, Foreign Exchange Policy, Operational Risk Policy, IT Risk Policy, Market Risk Policy, Stress Testing Policy, Financial & Risk Management Disclosure Policy, Conduct Risk Management Policy, Group Social & Environmental Policy and Reputational Risk Management Policy etc., which have been firmly established to provide control and guidance for decision-making throughout the Bank in a uniform manner.

The Committee structure embedded to the Risk Management Framework acts as a fact finding and decision making authority through deliberations and arriving at consensus arising out of multiple points of views. The Risk Management Committees effectively deliberate on matters at hand to provide guidance to the business lines with a view to managing risk in accordance with the strategic goals and risk appetite of the Bank.

The Board of Directors of the Bank has formed the Board Integrated Risk Management Committee (BIRMC) as a mandatory Board Committee, as per

Banking Act Direction No. 11 of 2007 on Corporate Governance. The performance of the Committee and the duties and roles of members are reviewed by the Board annually or more frequently, if warranted.

The meetings of the Executive Integrated Risk Management Committee (EIRMC) are conducted on a monthly basis to discuss Credit, Operational, Market, IT and Social & Environmental risk matters of the Bank. Assets and Liabilities Committee (ALCO), that convene at least once a fortnight, gives priority for liquidity, funding and profitability in line with the changes taken place in the market.

Risk Control Self-Assessment (RCSA) framework is adopted to identify risks involved in business activities of the Bank and to implement appropriate risk mitigatory measures after assessing criticality of such risks. The Integrated Risk Management Department (IRMD) carries out semi-annual Bank-wide RCSA exercise focusing on adherence to laws, regulations, and regulatory guidelines as well as internal controls and approved policies.

Further, the Internal Audit function of the Bank independently monitors and evaluates the risk management function of the Bank and provides its views on the adequacy of the Risk Management Framework to the Board Audit Committee (BAC).

Strategic and business risk

Bank's inability to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals in line with its Vision and Mission is identified as Strategic risk.

Business risk refers to any risk that arises from the Bank's long-term business strategies and affects its profitability, and relatively short term in nature.

Management of strategic and business risk

Corporate planning and budgeting process and continuous evaluation of their alignment with the Bank's Vision, Mission and the risk appetite facilitate management of strategic risk. In the annual Internal Capital Adequacy Assessment Process (ICAAP) exercise of the Bank, detailed scorecard-based qualitative models are used to measure and monitor strategic risk of the Bank. This scorecard-based approach takes a number of variables into account, including the size and sophistication level of the Bank, the nature and complexity of its operations and highlights the areas that require focus to mitigate potential strategic risks.

Business risk of the Bank is managed through its day to day decisions made by the line managers and also at different Management Committees in identifying, assessing and remediating such risks.

Also, in line with the Banking Act Direction No. 09 of 2021, commencing from 2022, the Bank being the largest private sector bank in the industry designated as a Domestic Systemically Important Bank (D-SIB), has developed its Recovery Plan (RCP). The Bank has commenced the review of RCP on a quarterly basis commencing from 2023. This plan outlines the Bank's transition from Business-As-Usual (BAU) to different degrees of elevated risk conditions, highlighting the preparedness to the recovery actions, if the financial deterioration occurs and is not rectified.

Credit risk

The risk that the Bank will incur a loss due to its customers or counterparties failing to discharge their contractual obligations, is considered generally under the credit risk assessment.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, groups of counterparties, geographies, business sectors, and industries by monitoring exposures and possible adverse external factors in relation to such limits.

Management of credit risk

Lending Guidelines of the Bank has been formulated based on evolving practices of lending to provide expected granularity of credit assessment and thereby, to ensure strict attention to risks emanating from lending proposals at the time of initiation, analysis, and approval. In addition, Lending Guidelines ensures objective assessment of acceptability of collateral as well as limits on exposures and concentration levels to various sectors, counterparties, geographies and segments etc.

A robust risk grading system in line with the Basel guidelines on rating of facilities and counterparties is adopted by the Bank for evaluation of credit proposals. This risk grading framework consists of 10 grades of gradually escalating continuum of risks as indicators for the Lending Officers to evaluate and arrive at suitable risk reward trade-offs in their propositions. These risk grades were validated by internationally accepted consultants and are reviewed by the IRMD regularly.

Credit Risk Review function covers over 30% of the advances portfolio, including non performing credit facilities, of the Bank using the Loan Review Mechanism (LRM). This continuous exercise provides reasonable assurance that all major credit risks embedded in the operation of lending is carried out in line with the stipulated guidelines and within the risk appetite framework of the Bank.

Early Warning Signals (EWS) system which is currently being adopted based on Machine Learning/Regression analysing Prediction model to assist Lending Officers. This will reciprocally affect in detecting problematic advances, industries whilst inversely provide insights to identify potential lending opportunities. This tool is used to maintain the quality of the Loan Book of the Bank.

Portfolio level credit risk analyses are taken up at monthly EIRMC meetings as well as quarterly at BIRMC meetings. Individual credit proposals evaluated by the Lending Officers are approved by the Authorising Officers within the hierarchy in delegated authority levels whilst ensuring a minimum of the Four Eyes Principle, when approving them. Approval levels are escalated based on delegated authority levels attached to exposure levels, final risk ratings, changes of risk appetite for specific industries as well as negative deviation of performance levels as compared to previous facilities extended to borrowers.

The Executive Credit Committee (ECC) and the Board Credit Committee (BCC) are responsible for approving credit facilities with high value while the Board will be the ultimate authority for approving facilities exceeding predetermined threshold levels. Deliberations take place at the BCC level on facilities being considered for approval beyond the specified threshold and recommendations for approval of the Board are made based on quantum of exposures at various levels.

The IRMD provides risk approval for individual proposals above predetermined threshold levels, consequent to a rigorous independent risk evaluation guided by Credit Policy, Lending Guidelines, and

circular instructions within a limit framework stemming from risk appetite of the Bank.

Across the globe, Banks are intensifying their approach towards early recognition of impaired credit assets and thereby, taking proactive efforts in readying their institutions to encounter possible economic downturns. Most regulators of the banking sector around the world expect the financial institutions in their markets to implement robust credit risk estimation models and align the decision making process based on such robust models. Forward looking impairment provision approach is significantly different from the traditional approach of providing for Incurred Loss Assets. The Expected Credit Loss (ECL) model introduced under the SLFRS 9 replaced the Incurred Loss Model, which was considered inadequate in recognising credit losses in a proactive manner and had failed in accurately estimating the credit losses during economic stress conditions. Accordingly, the Bank also had duly adopted the ECL modelling in impairment computations. IRMD involves in Independent oversight on Individually Significant Loans (ISLs) to improve accuracy of cash flow projections bringing in a more robust and specific approach to the classification, recognition and measurement of credit facilities. Also the CBSL had issued the Banking Act Direction No. 13 of 2021, which spells out clear procedures to be adopted by banks in impairment computations.

Commencing from January 01, 2022, IRMD has been entrusted with the responsibility of objective assessment of credit facilities for upgrading purpose as per the provisions of the Banking Act Direction No. 13 of 2021. Accordingly, models used for calculation of impairment would be evaluated/recommended by the IRMD under the specific supervision of the Chief Risk Officer. Upgrading of restructured and rescheduled credit facilities shall only be carried out by the IRMD and shall be independent from the credit facility review mechanism.

Social and environmental risk

The Bank recognises the evolving risks posed by environmental, social, and governance (ESG) factors to both its operations and the businesses it finances. From resource depletion and climate change to social inequalities and ethical lapses, these emerging challenges demand responsible action. In response, the Bank has implemented a comprehensive Social and Environmental Management System (SEMS) aligned with the Central Bank of Sri Lanka's Sustainable Finance Roadmap. This system ensures that ESG considerations are fully integrated into the Bank's lending decisions,

promoting not only financial health but also a more sustainable future.

In every loan evaluation, the Bank goes beyond traditional financial metrics. It actively examines the potential positive and negative ESG impacts of each borrower and project, understanding how their practices and activities influence both financial performance and social well-being. This holistic approach guides the Bank's analysis throughout the lending process, from initial screening to ongoing portfolio monitoring. The internationally recognised IFC Performance Standards serve as a valuable framework for identifying and prioritising relevant ESG issues.

The SEMS framework encompasses a broad range of considerations, including resource efficiency, biodiversity conservation, fair labour practices, community engagement, and robust corporate governance. This comprehensive perspective guides the Bank's credit analysis methodology, where ESG factors are woven into the fabric of risk assessment. The Bank meticulously identifies material ESG risks and opportunities specific to each borrower and project, taking into account factors like industry sector, geographic location, and regulatory environment. These insights are subsequently translated into practical actions, potentially shaping borrowing terms, interest rates, or even the decision to extend financing altogether.

Transparency and continuous improvement are the Bank's guiding principles when it comes to ESG integration. It openly discloses its policies and procedures to relevant stakeholders, ensuring accountability and fostering trust. Furthermore, the Bank actively engages with industry peers, regulatory bodies, and civil society organisations, continuously learning and refining its approach to stay ahead of emerging trends and best practices. The Bank's commitment to responsible financing is further evidenced through comprehensive reporting of ESG performance in annual reports and relevant regulatory disclosures.

Management of social and environmental risk

The implementation of SEMS involves clearly defined roles and responsibilities within the Bank. A dedicated ESG team within the Integrated Risk Management Department spearheads day-to-day integration efforts. Credit analysts are continuously trained to incorporate ESG factors into their assessments, utilising specialised data and tools. Additionally, the Bank leverages the expertise of internal and external sector specialists to address complex ESG challenges unique to particular industries.

As the Bank navigates the evolving landscape of ESG, it actively monitors concentrations of credit exposure to specific factors like climate transition risks and resource dependency. By establishing robust risk limits and mitigation strategies, the Bank manages these exposures proactively. To remain agile and responsive, the Bank continually incorporates insights from emerging ESG trends, particularly those related to climate change, into its risk screening tools and analysis frameworks. The Bank's proactive approach ensures informed decision-making that minimises long-term risks and promotes greater resilience in the face of future challenges.

Through active engagement with stakeholders and ongoing refinement of its ESG integration practices, the Bank strives to ensure that its lending decisions contribute not only to financial prosperity but also to a more equitable and sustainable future for all. The Bank's dedication to responsible financing remains resolute, and it continues to embrace innovative solutions that pave the way for a world where economic progress and environmental well-being go hand in hand.

Liquidity risk

The risk that the Bank will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset is focused on this risk domain. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations or not receiving what is due to the Bank when they fall due under both normal and stress circumstances.

To limit this risk, Management has arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has reviewed and strengthened its internal control processes and contingency plans for managing liquidity risk.

Management of liquidity risk

Market Risk Management Policy and the ALM Policy of the Bank approved by the Board of Directors set the tone for managing liquidity risk of the Bank. Liquidity risk of the Bank is given utmost priority when managing a wide range of other risks because it is considered as the most critical risk for any financial institution.

The Bank's Treasury Department is entrusted with managing liquidity of the Bank on a real time basis to ensure smooth functioning of business activities of all other business units of the Bank.

Additionally, a team of members of the Corporate Management, comprising the Deputy General Manager – Treasury, Assistant General Manager – Treasury and the Chief Risk Officer, carefully analyse liquidity position of the Bank taking in to consideration, both short term and medium term cash flow gaps, more frequently.

Access to a substantial stable Current Account and Savings Account (CASA) base due to its wide branch network and the top of the mind perception created among the depositors, provide immense strength to the Bank in managing liquidity. Also, the growing balance sheet size, higher rating and continuous rapport maintained with local and international counterparty banks have helped immensely to the Bank to maintain adequate foreign currency liquidity amidst stressed market conditions.

Having an adequate buffer of High Quality Liquid Assets (HQLA) at the disposal of the Bank is another plus factor for the Bank. The strength of such portfolio is amply reflected in the Basel III computation the Bank carries out for arriving at Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per the CBSL Directions that recorded very healthy results as compared to regulatory minimum threshold levels.

The Bank has experienced accumulation of rupee liquidity above the minimum regulatory requirements as a result of sluggish economic performance of the country since 2020. However, having adopted many strategies to invest excess liquidity at optimum yields but in staggered maturities and thereby to minimise the negative impact on the bottom line as well as liquidity, the bank is mindful about the excessive exposure to the Government by way of the Government Securities. As such the Bank has reinvigorated the expansion of the Loan Book since the third quarter of 2023.

Contingency funding plans are in force, constant monitoring of salient liquidity ratios and scenario-based stress testing being carried out regularly would enable the Bank to take proactive measures towards overcoming an adverse liquidity position that may arise on a future date. The regular stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

Market risk

The risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices comes under the ambit of Market risk. The market risk management is

to manage and control market risk exposure within acceptable parameters to ensure the Group's solvency while optimising the return on risk. The Bank classifies exposures to Market Risk into either Trading or Non-Trading portfolios (Banking Book) and manages each of those portfolios separately.

The Market risk for the Trading portfolio is monitored and managed closely having paid attention to the changes on the prices of market.

Management of market risk

Market Risk Management Policy, ALM Policy and Foreign Exchange Risk Policy are the three main policies that constitute the framework governing the Market Risk Management function of the Bank. Due to business model adopted by the Bank, exposure to equity and commodity risk was kept at bay throughout the year.

However, Interest Rate Risk arising from the Banking Book as well as Trading Book and Foreign Exchange Risk arising from dealing in assets and liabilities denominated in currencies other than local currency, continued to expose the Bank to associated risk elements.

Declining interest rates since the first quarter of 2023 posed challenges to the Net Interest Margin (NIM) as the demand for advances had stagnated since the COVID-19 period (until the third quarter of 2023) and the economic reforms introduced to the country subsequently.

Interest Rates of the Banking Book is subjected to varying degrees of rate shocks to stimulate and identify impact on earnings perspective in such rate scenarios. The results of such predictions could assist the Bank in formulating strategies to manage the financial position in an effective manner with the limited choices available in the local market.

Trading Book too was subjected to Value at Risk (VaR) framework internally carried out by the Bank on a regular basis. The Bank also carried out sensitivity analysis on a regular basis to ascertain the impact on portfolios maintained, mainly in Government Securities and marking to market of such portfolios to reflect fair value of underlying assets for the decision-making process.

The Sri Lankan rupee appreciated by over 20% against the US dollar by early June, followed by a slight weakening in the latter half of the year. Forex positions were subjected to continuous sensitivity analysis to provide insights to possible losses arising from currency appreciation/depreciation, as the reporting currency of the Bank, being Sri Lankan Rupees.

Operational risk

The risk that the Bank will incur a loss due to failure of systems, human errors, frauds or external events is focused on this risk domain. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring, escalating, reporting and responding to potential risks.

Circular Instructions and Operational Risk Management Policy play a major part in bringing together business practices with accepted benchmarks to ensure minimum disruption to processes, personnel, technology and infrastructure.

Internal Control framework and audit function with firmly established "three lines of defences" serve the Bank to manage operational risk at current acceptable levels.

Sound Operational Risk Management practices are embedded into the work process through the Bank's culture, internal policy framework and as per regulatory requirements.

IT Risk of the Bank is managed through strict monitoring of Key IT Risk Indicators while Vulnerability Assessment and Penetration Tests are being carried out by both internal and external parties at regular intervals to identify the relevant risks.

Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

Conduct risk and reputational risk

Risk that can arise as a result of mis selling, unethical business practices, professional misbehaviours, governance weaknesses etc, intend to be managed through such elaborate and intricate framework well established over decades of existence.

The risk that the Bank's reputation will be damaged by one or more than one reputation event, as reflected from negative publicity about the Bank's business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence in the Bank, result in costly litigation, or lead to a decline in its customer base, business or revenue.

Management of the Conduct and Reputational risk is underpinned by a comprehensive policy framework approved by the Board of Directors.

Refer Note 66 on pages 390 to 420 for "Financial risk review".

A detailed write-up on how the risk management is carried out within the Bank's Risk Management Framework with due consideration given to factors such as governance, identification, assessment, monitoring, reporting and mitigation are discussed in the Section on "Risk Governance and Management" on pages 232 to 258.

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 pricing 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 valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in Note 27 on pages 316 to 320.

5. Changes in Accounting Policies

The Group has consistently applied the Accounting Policies as set out in Notes 6 to 10 on pages 289 to 301 to all periods

presented in these Financial Statements, except for changes arising out of amendments to accounting standards as set out below:

5.1 New and amended standards and interpretations

In these Financial Statements, the Group applied for the first time following amendments to Accounting Standards, which are effective for annual periods beginning on or after January 01, 2023. The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

5.1.1 Amendments to "Accounting Policies, Changes in Accounting Estimates and Errors" (LKAS 8): Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. Refer Note 2.12 on page 282 for further details.

5.1.2 Amendments to "Income Taxes" (LKAS 12): Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

5.1.3 Amendments to "Presentation of Financial Statements" (LKAS 1): Disclosure of Accounting Policies

Amendments to LKAS 1, provides guidance and examples to help entities apply materiality judgements to accounting

policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Set out below is an index of Material Accounting Policies, the details of which are available on the pages that follow:

Index of Material Accounting Policy Information

The Group has revisited its accounting policy information disclosures to ensure consistency with the amended requirements.

Material Accounting Policy Information

The Material Accounting Policy Information set out below have been applied consistently to all periods presented in the Financial Statements of the Group except as specified in Note 2.11 on page 282.

These Accounting Policies have been applied consistently by the Group.

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6. Material Accounting Policies – General

6.1 Basis of consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Bank and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its associate in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures" (LKAS 28). The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit, the Offshore Banking Centre and the international operations of the Bank.

6.1.1 Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group as per Sri Lanka Accounting Standard – SLFRS 3 on "Business Combinations" (SLFRS 3). In determining whether a particular set of activities and assets is a business, the Bank assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has ability to produce outputs. The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. Any goodwill that arises is tested annually for impairment (□□ Refer Note 7.6 on page 297). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are 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 re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

6.1.2 Non-Controlling Interests (NCI)

Details of NCI are given in Note 56 on page 376.

6.1.3 Subsidiaries

Details of the Bank's subsidiaries, how they are accounted in the Financial Statements of the Bank and their contingencies are set out in Notes 36 and 57.4(a) on pages 334 to 335 and 378.

6.1.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Subsequently, it is accounted for as an associate or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

6.1.5 Associates

Details of the associate, how it is accounted in the Financial Statements of the investee, together with its fair values and the Group's share of contingent liabilities of the associate is set out in Notes 37 and 57.4 (b) on pages 336 to 337 and 378.

6.1.6 Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

6.1.7 Material gains or losses, provisional values or error corrections

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

6.2 Foreign currency

6.2.1 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Bank's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the middle exchange rate of the functional currency ruling as at the reporting date. The foreign currency gains or loss on monetary items is the difference between amortised cost in the

functional currency as at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate 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 as at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Equity instruments measured at fair value through other comprehensive income
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedge is effective.

6.2.2 Foreign currency translations

The Group's Consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Bank's Functional Currency. The Financial Statements of the Offshore Banking Centre of the Bank and the Financial Statements of the foreign operations of the Bank have been translated into the Group's Presentation Currency as explained under Notes 6.2.3 and 6.2.4 below.

6.2.3 Transactions of the offshore banking centre

These are recorded in accordance with Note 6.2.1 above, except the application of the annual weighted average exchange rate for translation of the Income Statement and the Statement of Profit or Loss and Other Comprehensive Income. Net gains and losses are dealt through the profit or loss.

6.2.4 Foreign operations

The results and financial position of foreign operations that have a functional currency different from the Bank's presentation currency are translated into the Bank's presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange ruling as at the reporting date.
- Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable

approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rates ruling at the transaction date.

- All resulting exchange differences are recognised in the OCI and accumulated in the Foreign Currency Translation Reserve (Translation Reserve), which is a separate component of Equity, except to the extent that the translation difference is allocated to the NCI.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount of the translation reserve is reattributed to NCI.

7. Material Accounting Policies – Recognition of assets and liabilities

7.1 Financial instruments – initial recognition, classification and subsequent measurement

7.1.1 Date of recognition

The Group initially recognises loans and advances, deposits and subordinated liabilities, etc., 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.

7.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Notes 7.1.3 and 7.1.4 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined in Sri Lanka Accounting Standard – SLFRS 15 on “Revenue from contracts with customers” (SLFRS 15).

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have a significant financing component) at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

7.1.2.1 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter in line with SLFRS 9 and Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits" (LKAS 19).

Refer Notes 13 and 19 on pages 302 and 310.

7.1.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms. Accordingly, the financial assets are measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

7.1.3.1 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 and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is

provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

7.1.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount

outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

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 solely payments of principal and interest 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.

The Group has granted loans that include features that change contractual cash flow based on the borrower meeting certain contractually specified Environmental, Social and Governance (ESG) targets. If the ESG feature could only have an insignificant effect on the contractual cash flow of the loan, then the features do not affect the classification of the loan. However, if the effect of the ESG feature is significant, then judgement is required about whether the feature would be consistent with a basic lending arrangement and meet the SPPI

criterion. The Group has concluded such loans with ESG features are insignificant as compared to the entire loan book or are consistent with a basic lending arrangement feature. Accordingly, the Group has determined that the contractual cash flows of these loans are solely payments of principal and interest.

Refer Notes 7.1.3.3 to 7.1.3.5 below for details on different types of financial assets recognised on the SOFP.

7.1.3.3 Financial assets measured at amortised cost

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 on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 7.1.3.3.1 to 7.1.3.3.6 below.

7.1.3.3.1 Loans and advances to other customers

Loans and advances to other customers include amounts due from loans and advances and lease receivables from the customers of the Group.

Details of "Loans and advances to other customers" are given in Note 33 on pages 326 to 330.

7.1.3.3.2 Securities purchased under resale agreements (reverse repos)

When the Group purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

Details of "Securities purchased under resale agreements" are given in the SOFP on page 269.

7.1.3.3.3 Debt and other financial instruments measured at amortised cost

Details of "Debt and other financial instruments measured at amortised cost" are given in Note 34 on page 330.

7.1.3.3.4 Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 28 on page 320.

7.1.3.3.5 Balances with central banks

Details of "Balances with central banks" are given in Note 29 on page 321.

7.1.3.3.6 Placement with banks

Details of "Placement with banks" are given in Note 30 on page 321.

7.1.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

For financial assets measured at FVOCI refer Notes 7.1.3.4.1 and 7.1.3.4.2.

7.1.3.4.1 Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and selling financial assets, where the asset's contractual cash flows represent payments that are solely payments of principal and interest on principal outstanding. Details of "Debt instruments at FVOCI" are given in Note 35 on page 332.

7.1.3.4.2 Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity instruments held for strategic and regulatory purposes as equity instruments at FVOCI. Details of "Equity instruments at FVOCI" are given in Note 35 on page 332.

7.1.3.5 Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets measured at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell as discussed in Notes 7.1.3.5.1 and 7.1.3.5.2 below.

7.1.3.5.1 Financial assets held for trading

Details of "Financial Assets held for trading" are given in Note 32 on pages 323 to 326.

7.1.3.5.1.1 Derivatives recorded at FVTPL

Details of "Derivative financial assets" recorded at fair value through profit or loss are given in Note 31 on page 322.

7.1.3.5.2 Financial assets designated at FVTPL

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 when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Financial assets designated at FVTPL are recorded in the SOFP at fair value. Changes in fair value are recorded in "Net gain or loss on financial instruments designated at FVTPL". Interest earned is accrued in "Interest Income", using the EIR, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

The Group has not designated any financial assets upon initial recognition as at FVTPL as at the end of the reporting period.

7.1.4 Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at FVTPL, and within this category as –
 - Held-for-trading; or
 - Designated at FVTPL;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

Refer Notes 7.1.4.1 and 7.1.4.2 as detailed below:

7.1.4.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Refer Notes 7.1.4.1.1 and 7.1.4.1.2 below.

7.1.4.1.1 Financial liabilities held for trading

Details of "Derivative financial liabilities" classified under financial liabilities held for trading are given in Note 44 on page 356.

7.1.4.1.2 Financial liabilities designated at FVTPL

Financial liabilities designated at FVTPL are recorded in the SOFP at fair value when;

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on

a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided on that basis to entity's Key Management Personnel, or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at FVTPL" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the EIR.

The Group has not designated any financial liabilities as at FVTPL as at the end of the reporting period.

7.1.4.2 Financial liabilities at amortised cost

Financial liabilities of the Group that are not measured at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Securities sold under repurchase agreements", "Due to depositors", "Other borrowings" or "Subordinated liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in "Interest expense" in profit or loss. Gains and losses too are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

7.1.4.2.1 Due to banks

Details of "Due to banks" are given in Note 43 on page 356.

7.1.4.2.2 Securities sold under repurchase agreements (repos)

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 (repos), the arrangement is accounted for as a financial liability in the SOFP reflecting the transaction's economic substance as a deposit. Subsequent to initial recognition, these securities are measured at amortised cost using the EIR with the corresponding interest payable being recognised as "Interest expense" in profit or loss.

Details of "Securities sold under repurchase agreements (repos)" are given in the SOFP on page 269.

7.1.4.2.3 Due to depositors

Details of "Due to depositors" are given in Note 45 on pages 357.

7.1.4.2.4 Other Borrowings

Details of "Other Borrowings" are given in Note 46 on pages 358.

7.1.4.2.5 Subordinated liabilities

Details of "Subordinated liabilities" are given in Note 50 on pages 368.

7.1.5 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities. Derivatives held for risk management purposes are measured at fair value in the SOFP.

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including 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 fair value or cash flow 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% to 125%. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure

to variations in cash flows that could ultimately affect profit or loss.

The Group used cash flow hedging relationships for risk management purposes during the year 2022. Different types of hedges and derivatives are discussed in Notes 7.1.5.1 to 7.1.5.5 below:

7.1.5.1 Fair value hedges

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 the profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss in the same line item as the hedged item that is attributable to the hedged risk.

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 are necessary for the novation, then the derivative is not considered as 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 part of the recalculated EIR of the item over its remaining life.

7.1.5.2 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 the profit or loss, the effective portion of changes in the fair value of the derivative are 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 affect profit or loss, and in the same line item in the Statement of Profit or Loss and OCI.

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 are necessary for the novation, then the derivative is not considered as expired or terminated.

7.1.5.3 Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation 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 on disposal of the foreign operation.

7.1.5.4 Other non-trading derivatives

If the derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

7.1.5.5 Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives may be embedded in another contractual arrangement (a host contract). The Group treats derivatives embedded in financial liabilities and non-financial host contracts as separate derivatives, if:

- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the SOFP together with the host contract. Derivatives embedded in financial assets are classified based on the business model and their contractual terms and are not separated as explained in Notes 7.1.3.1 and 7.1.3.2 on page 291.

7.1.6 Reclassification of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

During the year 2022, the Bank reclassified bulk of its treasury bond portfolio, majority of Sri Lanka Development Bond (SLDB) and entire Sri Lanka Sovereign Bond (SLSB) portfolio in FVOCI category to amortised cost category, effective from April 01, 2022, as a result of changes to the business model of managing the assets due to unprecedented changes in the macroeconomic conditions in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio as a one off option. Refer Note 35.1 on page 333 for further details.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

7.1.6.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Bank reclassifies all affected assets prospectively following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

7.1.6.2 Measurement of reclassification of financial assets

7.1.6.2.1 Reclassification of Financial Instruments at "FVTPL"

- To FVOCI

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognised in OCI.

- To Amortised Cost

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

7.1.6.2.2 Reclassification of Financial Instruments at "FVOCI"

- To FVTPL

The accumulated balance in OCI is reclassified to profit or loss on the reclassification date.

- To Amortised Cost

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

7.1.6.2.3 Reclassification of Financial Instruments at "Amortised Cost"

- To FVOCI

The asset is remeasured to fair value, with any difference being recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To FVTPL

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit or loss.

7.1.7 Derecognition of financial assets and financial liabilities

7.1.7.1 Financial assets

The Group derecognises a financial asset (or where applicable a part of thereof) 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 risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all 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 the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, 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.

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 SOFP, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

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 risks and rewards of ownership of such assets.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

7.1.7.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

7.1.8 Modification of financial assets and financial liabilities

7.1.8.1 Modification of financial assets

If the terms of a financial asset are modified, 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.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. 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 measured using a pre modification interest rate. In other cases, it is presented as interest income.

As part of Domestic Debt Optimisation (DDO) program implemented by the Government of Sri Lanka during the year, the Bank's SLDBs were converted to Treasury Bonds. With reference to the letter dated on November 01, 2023, by CA Sri Lanka on "Common Framework for the determination of Day 1 Difference arising from the aforesaid DDO programme of the Government of Sri Lanka", the attributable Day 1 Loss arising from the SLDB conversion should fall within the range of 3% to 5%. The range differential was due to the sensitivity of the assumptions considered for the known changes of liquidity risk or interest rate risks at the rate of 15% and 20% respectively. Accordingly, the applicable modification losses were recognised in the profit or loss for the year ended December 31, 2023.

7.1.8.2 Modification of Financial Liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. 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 extinguished and the new financial liability with modified terms is recognised in profit or loss.

7.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

7.1.10 Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that

initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

7.1.11 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Notes 4 and 27 on pages 288 and 316.

7.1.12 Identification and measurement of impairment of financial assets

7.1.12.1 Overview of the ECL principles

The Group records an allowance for ECL for loans and advances to other customers, debt and other financial instruments measured at amortised cost, debt instruments measured at FVOCI, any other financial assets measured at amortised cost, loan commitments and financial guarantee contracts.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- **Stage 1:** A financial asset that is not originally credit impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, the financial asset is moved to Stage 2 and the Group records an allowance for LTECL. Refer Note 7.1.12.2 for a description on how the Group determines when a SICR has occurred.
- **Stage 3:** If a financial asset is credit-impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%. Refer Note 7.1.12.3 for a description on how the Group defines default and credit impaired assets.

Purchased or originated credit impaired (POCI) financial assets:

Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the LTECL. The Group does not have POCI loans as at the reporting date.

The key judgements and assumptions adopted by the Group in addressing the requirements of SLFRS 9 are discussed below:

7.1.12.2 Significant Increase in Credit Risk (SICR)

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 analysis, based on the Group's historical experience and expert credit assessment and including forward looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter-alia:

- When the risk rating of a customer or an instrument has been downgraded to B+ by an external credit rating agency and/or when there is a two-notch downgrade in the banks internal rating system.
- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments.
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or an instruments.
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- When a customer is subject to litigation, that significantly affects the performance of the credit facility.
- Frequent changes in the Board of Directors and Senior Management of an institutional customer.
- Delay in the commencement of business operations/projects by more than two years from the originally agreed date.
- When the customer is deceased/insolvent.
- When the Bank is unable to contact or find the customer.
- A fall of 50% or more in the turnover and/or profit before tax of the customer when compared to the previous year for two consecutive years.
- Erosion in net-worth by more than 25% when compared to the previous year.
- Number of times credit facilities are restructured.

- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc., due to credit deterioration.
- Any other indicator that the Group believes which indicate an SICR as per expert credit judgement.

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with SICR and assessed accordingly in ECL computations. The Group also considers the conditions stipulated in the Directions issued by the CBSL on identifying SICR criteria for assessing credit facilities for ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Group determines SICR based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to Stage 2, if their credit risk increases to the extent that they are no longer considered investment grade.

7.1.12.3 Definition of default and credit impaired assets

The Group considers loans and advances to other customers be defaulted when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.

In addition, the Group classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is "default".

In assessing whether a borrower is in default, the Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. Further, as per "CBSL Banking act direction No. 13 of 2021", Non-Performing Credit Facilities (NPCF) means all the credit facilities where the contractual payments of a customer are past due for more than 90 days or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as Stage 3 credit facility under SLFRS 9.

7.1.12.4 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial

instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described in Note 7.1.12.2 and also as per the Policy on Upgrading of Credit Facilities. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the Policy on Upgrading of Credit Facilities. The Bank has developed a comprehensive Policy on Upgrading of Credit Facilities in line with the CBSL Banking act Direction No. 13 of 2021. Accordingly, credit facilities other than restructured and rescheduled facilities are upgraded to a better stage if all due contractual payments associated with such credit facility as at the date of upgrading are fully settled. Restructured and rescheduled facilities are gradually upgraded upon satisfactory repayment for a stipulated period according to the policy while exercising prudence principles.

7.1.12.5 Grouping financial assets measured on collective basis

The Group calculates ECL either on a collective or an individual basis. Asset classes where the Group calculates ECL on individual basis include;

- Credit impaired facilities and facilities identified with SICR which are impaired based on the individual impairment assessment
- The treasury, trading and interbank relationships (such as due from Banks, money at call and short notice, placements with Banks, government securities, investments in debentures etc.)

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped in to homogeneous portfolios, based on a combination of product and customer characteristics.

Details of the ECL calculation are given in Note 18 on pages 306 to 309.

7.2 Non-current assets held for sale and disposal groups

The Group intends to recover the value of non-current assets and disposal groups classified as held for sale as at the reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset or disposal group is available-for-sale in its present

condition, the management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard – SLFRS 5 on “Non-current Assets Held for Sale and Discontinued Operations”, (SLFRS 5) these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a group of investment is impaired. The Group recognises an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset, only to the extent of the cumulative impairment losses that have been recognised previously. Impairment loss is first allocated to goodwill, and then to the remaining assets and liabilities on a *pro rata basis*, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets which continue to be measured in accordance with the Group’s other accounting policies. As a result, once classified, the Group neither amortises nor depreciates the assets classified as held for sale.

In the Income Statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a NCI in a subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Income Statement.

7.3 Property, plant and equipment

Details of “Property, plant and equipment” are given in Note 38 on pages 337 to 349.

7.3.1 Depreciation

Details of “Depreciation” are given in Note 20 on pages 310 and 311.

7.3.2 Borrowing costs

As per the Sri Lanka Accounting Standard – LKAS 23 on “Borrowing Costs” (LKAS 23), the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

7.4 Investment property

Investment properties are initially measured at cost, including transaction costs. The Group subsequently measures investment properties under fair value model. Any gain or loss arising from a change in fair value and the rental income from the investment property is recognised under “Net other operating income”.

Details of “Investment Property” are given in Note 39 on pages 349 and 352.

7.5 Intangible assets

Details of “Intangible assets” are given in Note 40 on pages 352 to 353.

Amortisation recognised during the year in respect of intangible assets is included under the item of “Amortisation of intangible assets” under “Depreciation and amortisation” in profit or loss.

☞ Refer Note 20 on pages 310 and 311.

7.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) 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.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The “recoverable amount” of an asset or CGU is the greater of its VIU and its fair value less costs to sell. VIU is based on the estimated future cash flows, 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.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group’s corporate assets do not generate separate cash inflows and are used 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 CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the

carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

7.7 Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year, that are approved after the reporting date and not provided for, are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period” (LKAS 10) in Note 68 on page 420.

7.8 Employee benefits

7.8.1 Defined Benefit Plans (DBPs)

A DBP is a post-employment benefit plan other than a Defined Contribution Plan (DCP) as defined in LKAS 19.

7.8.1.1 Defined benefit pension plans

7.8.1.1.1 Description of the plans and employee groups covered

The Bank operates two types of Defined Benefit Pension Plans for its employees as described below:

- (a) The Bank has an approved Pension Fund, which was established in 1992. As per the Deed of Trust, only those employees who were less than 45 years of age as at January 1, 1992 were covered by the Pension Fund in order to leave a minimum contribution for a period of 10 years before they are eligible to draw pension from the Pension Fund. Further, only the employees those who joined the Bank before January 1, 2000, became eligible for this pension scheme.

During 2006, the Bank offered a restructured pension scheme to convert the DBP to a DCP for the pensionable employees of the Bank and over 99% of them accepted it. As a result, the above Pension Fund now covers only those employees who did not opt for the restructured pension scheme and those employees who were covered by the Pension Fund which was established in 1992, but retired before the restructured pension scheme came into effect;

(b) Provision for pensions has been made for those employees who retired before January 1, 2000, and on whose behalf the Bank could not make contributions to the Retirement Pension Fund for more than 10 years. This liability although not funded has been provided for in full in the Financial Statements;

The subsidiaries of the Bank do not operate Pension Funds.

The Bank's net obligation in respect of Defined Benefit Pension Plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets, as per LKAS 19 as detailed in Note 48 on pages 359 to 367.

The past service cost is recognised as an expense on a straight-line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

7.8.1.1.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in the OCI in the period in which they arise.

7.8.1.1.3 Recognition of retirement benefit obligation

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service cost not yet recognised and the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the Projected Unit Credit Method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense/(income) on the net defined benefit liability/

(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net-defined benefit liability/(asset), taking into account any changes in the net-defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to DBPs are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a DBP when the settlement occurs.

Amounts recognised in profit or loss as expenses on DBPs and provisions made on DBPs together with the details of valuation methods are given in Notes 19 and 48 on pages 310 and 359 to 367, respectively.

7.8.2 Defined Contribution Plans (DCPs)

A DCP is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay a further amount. Obligations to DCPs are recognised in the profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Group has four such plans as explained in Notes 7.8.2.1, 7.8.2.2, 7.8.2.3 and 7.8.2.4.

Amounts recognised in profit or loss as expenses on DCPs are given in Note 19 on page 310.

7.8.2.1 Defined contribution pension plan

As explained in Note 7.8.1.1.1 (a), during 2006, the Bank restructured its pension scheme which was a DBP to a DCP. This restructured plan was offered on a voluntary basis to the eligible employees of the Bank. The scheme provides for lump sum payments instead of commuted/monthly pensions to the eligible employees at the point of their separation, in return for surrendering their pension rights. The lump sum offered consisted of a past service package and a future service package. The shortfall on account of the past service package in excess of the funds available in the Pension Fund was borne by the Bank in 2006.

The future service package includes monthly contributions to be made by the Bank for the employees who accepted the offer, to be made during their remaining period of service, at predetermined contribution rates to be applied on their salaries, which are estimated to increase for this purpose at 10% p.a. based on the

salary levels that prevailed as at the date of implementation of this scheme. In addition, interest to be earned on the assets of the DCP is also allocated to the employees who opted for the restructured pension scheme.

The assets of this Fund are held separately from those of the Bank and are independently administered by the Trustees as per the provisions of the Trust Deed.

7.8.2.2 Employees' Provident Fund

The Bank and employees contribute to an approved Private Provident Fund at 12% and 8% respectively, on the salaries of each employee. In addition, the employees may voluntarily contribute an excess amount. Other local entities of the Group and their employees contribute at the same percentages as above to the Employees' Provident Fund managed by the CBSL.

7.8.2.3 Employees' Trust Fund

The Bank and other local entities of the Group contribute at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the CBSL.

7.8.2.4 Defined Contribution Pension Fund (DCPF)

Defined Contribution Pension Fund (DCPF) was established on March 01, 2020, which is managed by a Board of Trustees consisting of representatives of Employee Organisations and the Management.

Employees who joined since the year 2000, and who are not covered under the Restructured Pension Scheme of the Bank and are in the service of the Bank as at March 01, 2020 are eligible for the new DCPF. The initial lump sum, based on Gratuity entitlement as at February 29, 2020, is being transferred to the accounts opened in the names of individual eligible employees.

The Bank contributes monthly, a percentage equivalent of seven decimals five per centum (7.5%) of the monthly salary of each eligible employee starting from March 01, 2020 until cessation of employment to the DCPF.

Employees cannot withdraw money from the DCPF before cessation of employment. In the event of early separation prior to retirement (excluding death), eligible employees are entitled to withdraw the accumulated amounts in their respective DCPF accounts. However, the eligible employees are not entitled to receive any DCPF payment where the completed service is less than 5 years (similar to the Gratuity payments are done in case of a separation as per the Gratuity Act at the point of termination and separation). In the event of death of an employee whilst in service, the accumulated funds in the members account will be released in full to the nominated

parties/legal heirs as the case may be, where the completed service is more than 5 years.

7.8.3 Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate used as the yield as at the reporting date is the current market rate that has been extrapolated to reflect long-term rate of discount based on market rates of interest on short-term Corporate/Government Bonds and anticipated long-term rate of inflation. The calculation is performed using the Projected Unit Credit Method. Remeasurements are recognised in profit or loss in the period in which they arise.

The Group does not have any "Other long-term employee benefits plans".

7.8.4 Terminal benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

7.8.5 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

7.8.6 Share-based payment arrangements

Share-based payment arrangements in which the Bank receives services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Bank. Executive Employees of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group does not operate any cash-settled share-based payment transactions.

The Group applies the requirements of the Sri Lanka Accounting Standard – SLFRS 2 on "Share-based Payment" (SLFRS 2) in accounting for equity-settled share-based payment transactions, if any, that were granted after January 01, 2012 and had not

vested at the same date. As per SLFRS 2, on the grant date, fair value of equity-settled share-based payment awards (i.e., share options) granted to employees is recognised as personnel expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, so that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Employee Share Option Plans – 2019 and 2023, which were granted are subjected to the above accounting treatment.

The details of Employee Share Option Plans are given in Note 52 on pages 371 and 372.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share as disclosed in Note 24.1 and Note 24.2 on page 313 and 314.

7.9 Other liabilities

Details of "Other liabilities" are given in Note 48 on pages 359 to 367.

7.10 Restructuring

Provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses arising on such restructuring are not provided for.

The Group does not have any provision for restructuring as at the reporting date.

7.11 Onerous contracts

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. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

The Group does not have any onerous contracts as at the reporting date.

7.12 Bank levies

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

7.13 Financial guarantees, letters of credit and undrawn loan commitments

"Financial guarantees" are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

Financial guarantees are initially recognised in the Financial Statements (*within other liabilities*) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and ECL provision, if appropriate.

The premium received is recognised in profit or loss in Note 14.1 on "*Fee and commission income*" on a straight line basis over the life of the guarantee.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the SOFP, but included as part of contingent liabilities and commitments. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 57 on page 377.

Loan commitments at below market interest rates are initially measured at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised, when appropriate.

7.14 Commitments

All discernible risks are accounted for in determining the amount of known liabilities as explained in Note 7.9 above.

Details of the commitments are given in Note 57 on page 377.

7.15 Contingent liabilities and commitments

A detailed list of "Contingent liabilities and commitments" and "Litigation against the Bank" are given in Notes 57 and 59 on pages 377 and 379.

7.16 Stated capital and reserves

Details of the "Stated capital and reserves" are given in Notes 51, 53, 54 and 55 to the Financial Statements on pages 370 and 373 to 376.

7.17 Earnings per Share (EPS)

Details of "Basic and Diluted EPS" are given in Note 24 on page 313.

7.18 Operating segments

Details of "Operating segments" are given in Note 61 on pages 382 to 383.

7.19 Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these Financial Statements as they do not belong to the Bank.

8. Material Accounting Policies – Recognition of income and expense

Details of "Income and expense" are given in Notes 12 to 21 on pages 302 to 311.

8.1 Interest income and interest expense

Details of "Interest income and Interest expense" are given in Note 13 on pages 302 to 304.

8.2 Fee and commission income and fee and commission expense

Details of "Fee and commission income and commission expense" are given in Note 14 on pages 304 and 305.

8.3 Net gains/(losses) from trading

Details of "Net gains/(losses) from trading" are given in Note 15 on page 305.

8.4 Net gains/ (losses) from derecognition of financial assets

Details of "Net gains/ (losses) from derecognition of financial assets" are given in Note 16 on page 305.

8.5 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities.

Dividends are presented in net gains/ (losses) from trading, net gains/(losses) from financial investments or other income (net) based on the underlying classification of the equity investment.

Details of "Dividend income" are given in Notes 15 and 17 on pages 305 and 306.

8.6 Leases

The Group assesses at the inception of a contract, whether 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 as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Group determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

8.6.1 Group as a lessee

As per SLFRS 16, when the Group has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the commencement date, the Group recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the IBR.

After initial recognition, the Group applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Group depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

Details of "Right-of-use asset" and "Lease liability" are given in Notes 38 and 48 respectively, on pages 337 and 359.

8.6.2 Group as a lessor

Similar to above, at the commencement of the contract, the Group determines whether the contract contains a lease component and one or more additional lease components or non-lease components. When there is one or more additional lease or non-lease component, the Group allocates consideration based on the guidelines given in SLFRS 15.

8.6.2.1 Finance leases – Group as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived at by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate of interest which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Group's net investment in lease is included in Note 33 "Loans and advances to other customers". The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

8.6.2.2 Operating leases – Group as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

8.7 Rental income and rental expenses

Rental income and rental expense are recognised in profit or loss on an accrual basis.

9. Material Accounting Policies – Tax Expense

9.1 Income tax expense

9.1.1 Current tax

Details of "Income tax expense" are given in Note 23 on pages 312 and 313.

With the enactment of the Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate was revised from 24% to 30%, effective from October 01, 2022 of the Year of Assessment 2022/2023. Accordingly, Income Tax rate of 30% was applied on the taxable income of the Bank for the 2nd half of the financial year ended December 31, 2022 and also for the year ended December 31, 2023.

9.1.2 Deferred tax

Details of "Deferred tax assets and liabilities" are given in Note 41 on pages 354 to 355.

Deferred tax assets and liabilities are assessed based on the revised Income tax rate of 30%, which became effective from October 01, 2022.

9.1.3 Tax exposures

In determining the amount of current and deferred tax, the Group considers the favourable/adverse impact to the current tax liability and deferred tax liability due to assessments, revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

9.2 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

9.3 Withholding Tax (WHT) on dividends distributed by the Bank, subsidiaries and associate

9.3.1 WHT on dividends distributed by the Bank

The prevailing WHT/AIT rate on dividends distributed by the Bank to residents/ non-residents is 15%. Dividend paid by the Bank will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Bank from another resident company.

9.3.2 WHT on dividends distributed by the subsidiaries and associate

Dividend income received by the Bank of its subsidiaries and associate is liable to WHT/AIT at the rate of 15%, which will be a final tax for the Bank.

As per the Inland Revenue (Amendment) Act No. 10 of 2021 requirement to deduct WHT on dividend had been removed effective January 01, 2020 as mentioned under Note 9.3.1 above. The dividend income received from subsidiaries and associate was liable for Income Tax at 14% up until September 30, 2022. Applicable income tax rate for dividend received during the period from October 01, 2022 is 15%

As per the Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends was introduced effective from January 01, 2023. Accordingly, dividend income received from subsidiaries and associate are liable to WHT at the rate of 15%, which is a final tax for the Bank.

9.4 Value Added Tax on Financial Services (VAT FS)

The value addition attributable to the supply of financial services is calculated at the rate of 18% by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

The amount of VAT FS charged in determining the profit or loss for the period is given in Note 22 on page 311.

9.5 Social Security Contribution Levy (SSCL)

The Bank is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further, Non-Financial Services are made liable on the turnover at the rate of 2.5%.

9.6 Value Added Tax (VAT)

The VAT rate had been increased from 15% to 18% with effect from January 01, 2024.

Further, goods and services which were previously exempt from VAT had been made liable at the rate of 18% effective January 01, 2024.

Government Budget proposal for 2024 on reduction of the turnover threshold from Rs. 80 Mn. per annum to Rs. 60 Mn. per annum to register for VAT, is pending enactment.

10. Material Accounting Policies – Statement of Cash Flows

10.1 Statement of Cash Flows

The Statement of Cash Flows is prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on "Statement of Cash Flows" (LKAS 7). Gross cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 28 on page 320.

The Statement of Cash Flows is given on page 278.

11. Amendments to Accounting Standards issued but not yet effective

There were no new or amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's Financial Statements that result in material impact to the Group.

Sri Lanka Accounting Standard – SLFRS 17 on "Insurance Contracts" (SLFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace Sri Lanka Accounting Standard – SLFRS 4 on "Insurance Contracts" (SLFRS 4) that was issued in 2005. SLFRS 17 is effective for annual reporting periods beginning on or after January 01, 2026. The Group does not expect this will result in a material impact on its Financial Statements.

12 Gross income

ACCOUNTING POLICY

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For the year ended December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income	13.1	302	297,645,866	222,393,079	292,618,360	218,326,576
Fee and commission income	14.1	304	30,653,212	26,191,530	29,704,104	25,463,976
Net gains/(losses) from trading	15	305	(12,481,613)	35,297,450	(12,481,613)	35,297,450
Net gains/(losses) from derecognition of financial assets	16	305	5,060,242	276,884	5,060,242	276,884
Net other operating income	17	306	20,688,493	(3,771,999)	20,869,103	(3,921,204)
Total			341,566,200	280,386,944	335,770,196	275,443,682

13 Net interest income

ACCOUNTING POLICY

Interest income and expense are recognised in the Income Statement using the Effective Interest Rate (EIR) method.

Interest income and expense presented in the Income Statement include:

- Interest income on financial assets measured at amortised cost (AC) calculated using EIR method;
- Interest income on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest income on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;

- Interest expense on financial liabilities measured at amortised cost calculated using EIR method.

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired

financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For the year ended December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income	13.1	302	297,645,866	222,393,079	292,618,360	218,326,576
Less: Interest expense	13.2	303	211,230,507	137,727,868	209,514,795	136,582,546
Net interest income			86,415,359	84,665,211	83,103,565	81,744,030

13.1 Interest income

For the year ended December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash and cash equivalents	1,487,030	945,450	1,481,495	942,513
Balances with central banks	184,013	815,979	132,719	764,839
Placements with banks	4,084,715	1,685,996	4,078,104	1,645,801
Securities purchased under resale agreements	3,015,477	1,133,583	2,988,837	1,133,583

		GROUP		BANK	
For the year ended December 31,		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note Page No.				
Financial assets recognised through profit or loss		2,963,716	1,516,691	2,963,716	1,516,691
Derivative financial instruments		140,384	237,438	140,384	237,438
Other financial instruments		2,823,332	1,279,253	2,823,332	1,279,253
Financial assets at amortised cost – Loans and advances to other customers		156,560,656	144,253,496	153,359,824	141,875,299
Financial assets at amortised cost – Debt and other financial instruments(*)		79,655,171	51,750,895	78,223,689	50,507,221
Financial assets measured at fair value through other comprehensive income		46,182,102	18,995,711	46,020,068	18,724,172
Interest accrued on impaired loans and advances to other customers	33.2 (a) & 33.2 (b) 328	3,512,986	1,295,278	3,369,908	1,216,457
Total		297,645,866	222,393,079	292,618,360	218,326,576

(*) The Day 1 losses relating to the exchange of Sri Lanka Development Bonds (SLDBs) to Rupee bonds under the Domestic Debt Optimization (DDO) program undertaken in July 2023 by the Government of Sri Lanka was estimated considering comparable instruments.

13.2 Interest expense

		GROUP		BANK	
For the year ended December 31,		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note Page No.				
Due to banks		2,941,326	4,019,415	2,850,927	3,981,636
Derivative financial liabilities		278,447	422,823	278,447	422,823
Securities sold under repurchase agreements		18,462,357	21,906,770	18,469,875	21,926,162
Financial liabilities at amortised cost – due to depositors		183,046,047	105,008,989	181,393,821	103,852,829
Refinance borrowings		627,697	551,968	627,697	551,968
Foreign currency borrowings		189,300	476,698	189,300	476,698
Subordinated liabilities		5,247,288	4,843,571	5,247,288	4,843,571
Interest expense on lease liabilities	48.1 360	438,045	497,634	457,440	526,859
Total		211,230,507	137,727,868	209,514,795	136,582,546

13.3 Net interest income from Government Securities

Interest income and interest expenses on Government Securities given in the Notes 13.3 (a), 13.3 (b) and 13.3 (c) below have been extracted from interest income and interest expenses given in Notes 13.1 and 13.2 respectively and disclosed separately, as required by the guidelines issued by the Central Bank of Sri Lanka.

13.3 (a) Net interest income from Sri Lanka Government Securities

		GROUP		BANK	
For the year ended December 31,		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income		123,146,908	67,938,881	122,958,234	67,662,025
Securities purchased under resale agreements		467,932	213,978	441,292	213,978
Financial assets recognised through profit or loss		489,913	432,506	489,913	432,506
Financial assets at amortised cost – Debt and other financial instruments		76,006,961	48,296,686	76,006,961	48,291,369
Financial assets measured at fair value through other comprehensive income		46,182,102	18,995,711	46,020,068	18,724,172
Less: Interest expense		18,462,357	21,904,434	18,469,875	21,923,826
Securities sold under repurchase agreements		18,462,357	21,904,434	18,469,875	21,923,826
Net interest income		104,684,551	46,034,447	104,488,359	45,738,199

13.3 (b) Net interest income from Bangladesh Government Securities

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income	6,432,155	3,285,610	6,432,155	3,285,610
Securities purchased under resale agreements	2,547,545	919,605	2,547,545	919,605
Financial assets recognised through profit or loss	2,333,419	846,747	2,333,419	846,747
Financial assets at amortised cost – Debt and other financial instruments	1,551,191	1,519,258	1,551,191	1,519,258
Less: Interest expense	–	2,336	–	2,336
Securities sold under repurchase agreements	–	2,336	–	2,336
Net interest income	6,432,155	3,283,274	6,432,155	3,283,274

13.3 (c) Net interest income from Maldives Government Securities

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income	1,421,587	1,226,004	–	–
Financial assets at amortised cost – Debt and other financial instruments	1,421,587	1,226,004	–	–
Net interest income	1,421,587	1,226,004	–	–

14 Net fee and commission income**ACCOUNTING POLICY**

Fee and commission income and expense that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, and placement fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment

fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

As per SLFRS 15, the Group adopts principles based five step model for revenue recognition.

Accordingly, revenue is recognised only when all of the following criteria are met :

- The parties to the contract have approved the contract/s;

- The Group can identify each party's rights regarding the goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;
- The contract has the commercial substance;
- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The applicability of SLFRS 15 to the Bank is limited for fee and commission income.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Fee and commission income	14.1	304	30,653,212	26,191,530	29,704,104	25,463,976
Less: Fee and commission expense	14.2	305	8,265,893	6,022,429	8,145,910	5,972,708
Net fee and commission income			22,387,319	20,169,101	21,558,194	19,491,268

14.1 Fee and commission income

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Loans and advances related services	994,241	683,255	800,602	579,746
Credit and debit cards related services	13,374,045	9,963,857	13,266,286	9,916,179
Trade and remittances related services	11,060,637	11,155,415	10,607,499	10,747,416

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deposits related services	1,581,804	1,333,869	1,546,378	1,295,695
Guarantees related services	1,455,628	1,342,030	1,453,180	1,338,690
Other financial services	2,186,857	1,713,104	2,030,159	1,586,250
Total	30,653,212	26,191,530	29,704,104	25,463,976

14.2 Fee and commission expense

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Loans and advances related services	113,153	57,915	80,664	47,984
Credit and debit cards related services	7,843,649	5,721,589	7,769,341	5,694,791
Trade and remittances related services	93,603	89,244	80,417	76,252
Other financial services	215,488	153,681	215,488	153,681
Total	8,265,893	6,022,429	8,145,910	5,972,708

15 Net gains/(losses) from trading

ACCOUNTING POLICY

Net gains/(losses) from trading comprises gains less losses related to trading assets and trading liabilities, and include all realised and unrealised fair value changes, related capital gains and losses, dividend income, and foreign exchange gains/(losses) from trading assets and trading liabilities.

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Derivative financial instruments	(14,330,445)	35,903,416	(14,330,445)	35,903,416
Foreign exchange gains/(losses) from banks and other customers	(14,797,263)	36,357,421	(14,797,263)	36,357,421
Net mark-to-market gains/(losses)	466,818	(454,005)	466,818	(454,005)
Financial assets recognised through profit or loss – measured at fair value				
Government Securities	1,381,928	(1,169,937)	1,381,928	(1,169,937)
Net mark-to-market gains/(losses)	1,225,810	(1,320,746)	1,225,810	(1,320,746)
Net capital gains	156,118	150,809	156,118	150,809
Equities	466,904	563,971	466,904	563,971
Net mark-to-market gains/(losses)	379,182	348,256	379,182	348,256
Net capital gains	42,728	175,531	42,728	175,531
Dividend income	44,994	40,184	44,994	40,184
Total	(12,481,613)	35,297,450	(12,481,613)	35,297,450

16 Net gains/(losses) from derecognition of financial assets

ACCOUNTING POLICY

Net gains/(losses) from derecognition of financial assets comprises all realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost.

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial assets measured at fair value through other comprehensive income				
Government Securities	5,060,242	276,884	5,060,242	276,884
Net capital gains	5,060,242	276,884	5,060,242	276,884
Total	5,060,242	276,884	5,060,242	276,884

17 Net other operating income

ACCOUNTING POLICY

Net other operating income includes foreign exchange gains and losses, dividend income from equity instruments designated at fair value through other comprehensive income, dividend income from group entities, gains/(losses) on disposal of property, plant and equipment, and rental income.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Net gains on sale of property, plant and equipment	17.1	306	21,048	20,118	3,167	10,868
Net gains/(losses) on revaluation of foreign exchange			19,778,853	(5,133,408)	19,705,416	(5,237,707)
Recoveries o/a loans written off			440,484	449,028	381,338	392,321
Dividend income from subsidiaries			–	–	384,601	109,600
Dividend income from other equity securities			20,772	54,571	20,593	54,331
Gain on fair valuation of investment properties	39	349	18,930	7,950	–	–
Rental and other income	17.2	306	408,406	829,742	373,988	749,383
Total			20,688,493	(3,771,999)	20,869,103	(3,921,204)

17.1 Gains/(losses) on sale of property, plant and equipment

ACCOUNTING POLICY

The gains or losses on disposal of property, plant and equipment are determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item in “net other operating income” in the year in which the Group transfers control of the asset to the buyer.

17.2 Rental and other income

ACCOUNTING POLICY

Rental and other income is recognised in the Income Statement on an accrual basis.

18 Impairment charges and other losses

ACCOUNTING POLICY

Impairment charges as per SLFRS 9

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Placements with banks;
- Loans and advances to other customers;
- Financial assets at amortised cost-debt and other financial instruments;
- Debt instruments at fair value through other comprehensive income;
- Loan commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

The Group assesses the credit risk and the estimates unbiased and probability-weighted ECL, and incorporates all available

information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

Impairment charges on loans and advances to customers

For loans and advances above a predefined threshold, the Group individually assesses for significant increase in credit risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Group determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

The Group computes ECL using three main components; a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information.

- **PD** – The probability of default represents the likelihood of a borrower defaulting on its financial obligations (as per Note 7.1.12.3) either over the next 12-months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due (DPD) is the primary input into the determination of the term structure of PD for exposures. DPD are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.
- **EAD** – The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. To calculate EAD of all other loans, default events over the lifetime of the financial instruments are considered.

Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortised cost.

The Group does not have historical loss experience on debt instruments at

amortised cost and debt instruments at FVOCI. Thus the Group considers PDs published by the external sources (i.e. Bloomberg)

LGD for debt securities issued by the government of Sri Lanka in rupees is considered as 0%, LGDs for foreign currency denominated securities issued by the government are considered at a minimum of 20%. For all other instruments LGD is considered as 45% in accordance with the guideline issued by the Central Bank of Sri Lanka. However, the Group recognises a higher loss rates o/a SLSBs during the year, following the downgrade of the country's sovereign rating and the announcement made by the Government in April 2022 stating the Government's intention to restructure its external public debt.

EAD of a debt instrument is its gross carrying amount.

Credit cards and revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities. The Group reviews the sanction limits at least annually and therefore has the right to cancel and/or reduce the limits. Therefore, the Group calculates only the 12-month ECL (12m ECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since it is assumed that the Group freeze the limits of those contracts up to the utilised amount. The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Undrawn loan commitments

When estimating Life Time ECL (LTECL) for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments and letters of credit, the allowances for ECLs are recognised within "other liabilities".

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative

amortisation recognised in the Income Statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The allowances for ECLs related to financial guarantee contracts are recognised within "other liabilities".

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement from economic experts and Credit and Risk Management Departments to formulate a base case, a best case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by the CBSL, other reliable sources and statistical models.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth rate	Status of industry business
Unemployment rate	Regulatory impact
Interest rate (AWPLR)	Government policies
Rate of inflation	Average loan to value ratio
Exchange rate	

The calculation of ECLs

The Group measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12m ECL.

- Loans and advances on which credit risk has not increased significantly since the initial recognition.
- Debt instruments that are determined to have low credit risk at the reporting date.

The Group considers a debt instrument to have a low credit risk when they have an "investment grade" credit risk rating.

ECLs 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 expected 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;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial assets that are not credit-impaired at the reporting date

As described above, the Group calculates 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When the financial asset has shown a SICR since origination, the Group records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimate made by credit risk officers' as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Group regularly reviews the assumptions for projecting future cash flows.

Further, the loans and advances identified as credit impaired in Note 7.1.12.3 will be assessed for impairment with 100% PD.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements, etc.

Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. 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. However, 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.

Due to the high level of economic uncertainty, the Bank used management overlays, such as additional provisions on loans in risk elevated industries and loans subject to moratoriums, to capture unforeseeable events that cannot be assessed using modelled outcomes. As a result, the cumulative impairment provision under management overlays as of December 31, 2023 is Rs. 6.697 Bn. (Rs. 10.386 Bn. as at December 31, 2022).

Further, Bank reviewed the default point when assessing EAD under collective impairment paying due consideration for future economic uncertainties.

Scenario probability weighting (Bank)

As at December 31,	2023 %	2022 %
Best case	5.00	5.00
Base case	30.00	15.00
Worst case	65.00	80.00

Refer Note 2.12.5 on page 282 for detailed explanation on significant assumptions and estimates used with the objective of capturing the impact of economic uncertainties to ECL provisions.

			GROUP		BANK	
For the year ended December 31,			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note	Page No.				
Loans and advances to other customers	33.2 (a) & 33.2 (b)	328	6,163,845	22,296,719	5,689,719	21,961,786
Other financial assets			33,671,655	47,281,554	33,856,430	47,161,839
Off-balance sheet credit exposures			(1,651,568)	2,196,056	(1,633,548)	2,188,066
Total impairment charges	18.1 & 18.2	309	38,183,932	71,774,329	37,912,601	71,311,691
Investments in subsidiaries	36.1	335	–	–	–	–
Direct write-offs			711,138	149,931	711,138	149,931
Total			38,895,070	71,924,260	38,623,739	71,461,622

18.1 Impairment charges to the Income Statement – Group

For the year ended December 31,			2023				2022			
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
	Note	Page No.								
Cash and cash equivalents	28.1	320	2,729	–	–	2,729	3,131	–	–	3,131
Placements with banks	30.1	322	11,372	–	–	11,372	(26,571)	–	–	(26,571)
Financial assets at amortised cost – loans and advances to other customers	33.2 (a)	328	(5,278,093)	(10,782,914)	22,224,852	6,163,845	2,380,186	8,141,759	11,774,774	22,296,719
Financial assets at amortised cost – debt and other financial instruments	34.1 (a)	331	(172,536)	33,830,090	–	33,657,554	(5,342,455)	59,997,100	–	54,654,645
Financial assets measured at fair value through other comprehensive income	35.2	333	–	–	–	–	(7,349,651)	–	–	(7,349,651)
Contingent liabilities and commitments	57.3 (a)	378	(1,103,146)	(664,771)	116,349	(1,651,568)	1,564,590	687,280	(55,814)	2,196,056
Total			(6,539,674)	22,382,405	22,341,201	38,183,932	(8,770,770)	68,826,139	11,718,960	71,774,329

18.2 Impairment charges to the Income Statement – Bank

For the year ended December 31,			2023				2022			
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
	Note	Page No.								
Cash and cash equivalents	28.1	320	2,662	–	–	2,662	2,921	–	–	2,921
Placements with banks	30.1	322	11,387	–	–	11,387	24,962	–	–	24,962
Financial assets at amortised cost – loans and advances to other customers	33.2 (b)	328	(5,303,991)	(10,715,219)	21,708,929	5,689,719	2,389,315	8,028,839	11,543,632	21,961,786
Financial assets at amortised cost – debt and other financial instruments	34.1 (b)	331	12,291	33,830,090	–	33,842,381	(5,513,493)	59,997,100	–	54,483,607
Financial assets measured at fair value through other comprehensive income	35.2	333	–	–	–	–	(7,349,651)	–	–	(7,349,651)
Contingent liabilities and commitments	57.3 (b)	378	(1,085,126)	(664,771)	116,349	(1,633,548)	1,556,600	687,280	(55,814)	2,188,066
Total			(6,362,777)	22,450,100	21,825,278	37,912,601	(8,889,346)	68,713,219	11,487,818	71,311,691

19 Personnel expenses

ACCOUNTING POLICY

See Note 7.8 on pages 297 to 299.

			GROUP		BANK	
For the year ended December 31,			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note	Page No.				
Salary and bonus	19.1	310	18,054,840	15,221,895	17,361,450	14,674,018
Pension costs	19.1	310	2,237,199	2,171,669	2,167,342	2,121,218
Contributions to defined contribution/benefit plans – Funded schemes			2,162,932	2,120,322	2,131,832	2,095,355
Contributions to defined benefit plans – Unfunded schemes	48.2 (b) & 48.3 (c)	360 & 361	74,267	51,347	35,510	25,863
Equity-settled share-based payment expense	19.2 & 55.5	310 & 376	21,433	–	21,433	–
Other expenses	19.3	310	2,511,441	2,394,719	2,421,509	2,317,310
Total			22,824,913	19,788,283	21,971,734	19,112,546

19.1 Salary, bonus, and pension costs

Salary, bonus, and contributions to defined contribution/benefit plans, reported above also include amounts paid to and contributions made on behalf of Executive Directors.

19.2 Share-based payment

The Bank has equity-settled share-based compensation plans, the details of which are given in Note 52 on pages 371 to 372.

19.3 Other expenses

This includes expenses such as overtime payments, leave encashment benefits, medical and hospitalisation charges, expenses incurred on staff training/recruitment and staff welfare activities, etc.

20 Depreciation and amortisation

ACCOUNTING POLICY

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated. Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

The estimated useful lives of the property, plant and equipment of the Bank as at December 31, 2023 are as follows:

Class of asset	Depreciation percentage per annum	Period (years)
Freehold and leasehold buildings	2.5	40
Motor vehicles	20	5
Computer equipment	20	5
Office equipment, furniture, and fixtures		
Office equipment	20	5
Office interior work	20	5
Furniture and fittings	10	10

The above rates are compatible with the rates used by all Group entities, and these rates have not been changed during the year.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given in Note 38 on pages 337 to 349.

Depreciation methods, useful lives, and residual values are reassessed at each reporting date and adjusted, if required.

Amortisation of intangible assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use, at the rates specified below:

Class of asset	Amortisation percentage per annum	Period (years)
Computer software	20	5
Trademarks	20	5

The above rates are compatible with the rates used by all Group entities, and these rates have not been changed during the year.

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits.

Amortisation method, useful lives, and residual values are reviewed at each reporting date and adjusted, if required.

For the year ended December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Depreciation of property, plant and equipment	38.1 to 38.4	338 to 342	2,010,788	1,702,657	1,864,203	1,569,649
Depreciation of right-of-use assets	38.1 to 38.4	338 to 342	1,360,457	1,428,593	1,491,714	1,573,170
Amortisation of computer software	40.1	353	964,395	467,121	927,649	420,657
Total			4,335,640	3,598,371	4,283,566	3,563,476

21 Other operating expenses

ACCOUNTING POLICY

These expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenses incurred in running the business and in maintaining the property, plant and equipment in a state of efficiency are charged to the Income Statement.

For the year ended December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Directors' emoluments	21.1	311	125,819	96,163	77,842	52,019
Auditors' remuneration			66,799	55,526	42,247	33,571
Audit fees and expenses			32,900	28,587	16,016	14,280
Audit-related fees and expenses			16,248	12,342	16,248	12,342
Non-audit fees and expenses			17,651	14,597	9,983	6,949
Professional and legal expenses			1,608,195	1,228,348	2,290,051	1,698,691
Deposit insurance premium paid to the Central Banks			1,697,622	1,529,785	1,687,623	1,520,962
Donations including contribution made to the CSR Trust Fund			433,515	126,967	433,507	126,910
Establishment expenses			3,567,431	2,369,221	3,257,047	2,197,186
Maintenance of property, plant, and equipment			4,380,412	3,177,441	4,346,537	3,191,557
Loss on revaluation of land and buildings	38.1 to 38.4	338 to 342	40,273	–	40,273	–
Office administration expenses			5,209,213	4,312,136	4,213,773	3,439,287
Total			17,129,279	12,895,587	16,388,900	12,260,183

21.1 Directors' emoluments

Directors' emoluments represent the fees paid to both Executive and Non-Executive Directors of the Group and the Bank.

22 Taxes on financial services

ACCOUNTING POLICY

Refer Notes 9.4 and 9.5 on page 301.

For the year ended December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Value Added Tax	9.4	301	4,314,752	3,914,152	4,314,752	3,885,951
Social Security Contribution Levy	9.5	301	646,640	7,229	646,640	6,265
Total			4,961,392	3,921,381	4,961,392	3,892,216

23 Income tax expense/(reversal)**ACCOUNTING POLICY**

Income tax expense comprises of current tax expense and deferred tax expenses/(reversal). Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

Current tax

"Current tax" comprises the best estimate of expected tax payable to or (recoverable) from taxation authorities for the year and any adjustment to the tax payable or (recoverable) in respect of previous years. It is measured using tax rates enacted or substantively enacted, as at the reporting date in countries where the group operates. "Current tax" also include any tax expense arising from dividend income.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the relevant statutes of tax jurisdictions in countries where the group operates. Major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, is computed as required by the Sri Lanka

Accounting Standard – LKAS 12 on "Income Taxes".

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities as per Statement of Financial Position and the amount of such assets or liabilities considered for taxation purposes.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liability is not recognised for:

- temporary differences on the initial recognition of goodwill, assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor 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.
- temporary differences at the time of the transaction, does not give rise to equal taxable and deductible temporary differences

Deferred tax assets are recognised for deductible temporary, carried forward unused tax losses and carried forward unused tax credits to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax asset or liability is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date.

The measurement of deferred tax reflects the tax consequences to the Group as at the reporting date in relation to temporary difference in carrying amount of its assets and liabilities recorded in the Statement of Financial Position and the tax base.

Entity-wise breakup of income tax expense in the Income Statement is as follows:

				Applicable tax rate	GROUP		BANK	
For the year ended December 31,					2023	2022	2023	2022
	Note	Page No.		%	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current year tax expense					17,671,951	25,265,452	16,972,949	24,648,645
Income tax expense of Sri Lanka operation				30	6,773,565	8,076,346	6,773,565	8,076,346
Income tax expense of Sri Lanka operation				N/A	–	9,399,632	–	9,399,632
Income tax expense of Bangladesh operation				40	9,844,003	7,172,667	9,844,003	7,172,667
Profit remittance tax of Bangladesh operation				20	294,602	–	294,602	–
Withholding tax on dividends received					60,779	–	60,779	–
Income tax expense of Commercial Development Company PLC				30	120,857	93,220	–	–
Income tax expense of CBC Tech Solutions Limited				30	66,238	14,949	–	–
Income tax expense of CBC Finance Limited				30	–	44,164	–	–
Income tax expense of Commercial Bank of Maldives Private Limited				25	488,576	455,685	–	–
Income tax expense of Commex Sri Lanka S.R.L. – Italy (*)				24	–	–	–	–
Income tax expense of CBC Myanmar Micro Finance Company Limited				22	–	–	–	–
Income tax expense of Commercial Insurance Brokers Private Limited				30	23,331	8,789	–	–
Under/(over) provision	47	358			(512,850)	35,006	(463,909)	40,803
In respect of prior years					(512,850)	35,006	(463,909)	40,803
Deferred tax impact	41.1	354			(5,131,760)	(25,194,892)	(5,089,842)	(25,060,854)
Effect of change in tax rates					–	(4,350,788)	–	(4,303,334)
Origination and reversal of temporary differences					(5,131,760)	(20,844,104)	(5,089,842)	(20,757,520)
Total					12,027,341	105,566	11,419,198	(371,406)
Effective tax rate (including deferred tax) (%)					35.45	0.43	35.82	(1.64)
Effective tax rate (excluding deferred tax) (%)					50.58	103.25	51.78	109.25

(*) The Company is under voluntary liquidation and the liquidation is nearing completion.

23.1 Reconciliation of the accounting profit to income tax expense/(reversal)

A reconciliation between taxable income and the accounting profit multiplied by the statutory tax rates is given below:

For the year ended December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Accounting profit before tax from operations			33,927,001	24,505,038	31,880,160	22,598,385
Tax effect at the statutory income tax rate			11,885,123	9,051,238	11,095,565	8,444,136
Sri Lankan operation of the Bank			1,644,345	1,428,213	1,644,345	1,428,213
Bangladesh operation of the Bank			9,451,220	7,015,923	9,451,220	7,015,923
Subsidiaries			789,558	607,102	–	–
Tax effect of exempt income			(3,630,710)	(2,834,887)	(3,596,520)	(2,834,887)
Tax effect of non-deductible expenses			16,536,977	22,767,540	16,447,986	22,615,595
Tax effect of tax deductible expenses			(7,474,820)	(3,718,439)	(7,329,463)	(3,576,199)
Profit remittance tax of Bangladesh operation			294,602	–	294,602	–
Under/(over) provision of taxes in respect of prior years	47	358	(512,850)	35,006	(463,909)	40,803
Withholding tax on dividends received			60,779	–	60,779	–
Origination and reversal of temporary differences	41.1	354	(5,131,760)	(25,194,892)	(5,089,842)	(25,060,854)
Income tax expense reported in the Income Statement at the effective income tax rate			12,027,341	105,566	11,419,198	(371,406)

24 Earnings Per Share (EPS)

ACCOUNTING POLICY

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number

of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary

shares outstanding, adjusted for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees under Employee Share Option Plans (ESOP).

Details of Basic and Diluted EPS are given below:

24.1 Basic and diluted earnings per ordinary share

	Note	Page No.	GROUP		BANK	
			2023	2022	2023	2022
Amount used as the numerator:						
Profit for the year attributable to equity holders of the Bank (Rs. '000)			21,114,675	23,811,914	20,460,962	22,969,791
Number of ordinary shares used as the denominator:						
Weighted average number of ordinary shares for Basic EPS	24.2	314	1,313,734,091	1,313,519,550	1,313,734,091	1,313,519,550
Weighted average number of ordinary shares for Diluted EPS	24.2	314	1,314,665,092	1,313,519,550	1,314,665,092	1,313,519,550
Basic earnings per ordinary share (Rs.)			16.07	18.13	15.57	17.49
Diluted earnings per ordinary share (Rs.)			16.06	18.13	15.56	17.49

24.2 Weighted average number of ordinary shares for basic and diluted Earnings Per Share

	Note	Page No.	Outstanding number of shares		Weighted average number of shares	
			2023	2022	2023	2022
Number of shares in issue as at January 01,			1,239,778,047	1,194,221,299	1,239,778,047	1,194,221,299
Add: Number of shares satisfied in the form of issue and allotment of new shares from first and final dividend for 2021	51.1	370	–	45,556,748	–	45,556,748
Add: Number of shares satisfied in the form of issue and allotment of new shares from first and final dividend for 2022	51.1	370	73,741,503	–	73,741,503	73,741,503
			1,313,519,550	1,239,778,047	1,313,519,550	1,313,519,550
Add: Number of shares issued under ESOP – 2019	51.1	370	601,578	–	214,541	–
Number of ordinary shares for basic earnings per ordinary share calculation			1,314,121,128	1,239,778,047	1,313,734,091	1,313,519,550
Add: Bonus element on number of outstanding options under ESOP 2019 as at the year end			–	–	931,001	–
Number of ordinary shares for diluted earnings per ordinary share calculation (*)			1,314,121,128	1,239,778,047	1,314,665,092	1,313,519,550

(*) The weighted average number of ordinary shares for Basic EPS and for diluted EPS are equal, due to the market price of the ordinary voting share being below the offer price of the ESOPs as at December 31, 2022.

25 Dividends on ordinary shares

ACCOUNTING POLICY

Refer Note 7.7 on page 297

GROUP AND BANK							
	Note	Page No.	Cash dividend		Scrip dividend		Total
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000
Dividends for 2021							
First and final dividend	25.1	314	–	5,373,996	–	3,582,664	–
Dividends for 2022							
First and final dividend	25.2	314	–	–	5,579,001	–	5,579,001
Total amount paid during the year							8,956,660

25.1 Dividends for 2021

The Bank did not declare cash dividends during the year 2021 (for the year ended December 31, 2021), in conformity with the restrictions imposed by the Central Bank of Sri Lanka on payment of interim cash dividends for the financial year 2021, as per instructions issued via the Banking Act Direction No. 11 of 2021, dated July 13, 2021, on "Restrictions on Discretionary Payments of Licensed Banks".

The Board of Directors of the Bank recommended and paid a first and final dividend of Rs. 7.50 per share which was satisfied in the form of Rs. 4.50 per share in cash (paid on April 07, 2022 and April 11, 2022) and Rs. 3.00 per share in the form of issue and allotment of new shares for both voting and non-voting ordinary shares of the Bank for the year ended December 31, 2021, and these new shares were listed on April 26, 2022.

This dividend was recommended and paid after the Financial Statements for the year 2021 were finalised and audited by the Bank's External Auditors and in compliance with the instructions given in the Banking Act Direction No. 11 of 2021.

25.2 Dividends for 2022

The Bank did not declare cash dividends during the year 2022 (for the year ended December 31, 2022), in conformity with the restrictions imposed by the Central Bank of Sri Lanka on payment of cash dividends for the financial year 2022, as per the instructions given in the Banking Act Direction No. 02 of 2022, dated May 6, 2022, on "Restrictions on Discretionary Payments of Licensed Banks".

The Board of Directors of the Bank recommended and paid a first and final dividend of Rs. 4.50 per share which was satisfied in the form of issue and allotment of new shares for both voting and non-voting ordinary shares of the Bank for the year ended December 31, 2022, and these new shares were listed on April 19, 2023.

This dividend was recommended and paid after the Financial Statements for the year 2022 were finalised and audited by the Bank's external auditors and in compliance with the instructions given in the Banking Act Direction No. 02 of 2022.

25.3 Dividends for 2023

The Bank did not declare cash dividends during the year 2023 (for the year ended December 31, 2023), in conformity with the restrictions imposed by the Central Bank of Sri Lanka on payment of cash dividends for the financial year 2023, as per the instructions given in the Banking Act Direction No. 1 of 2023, dated February 2, 2023, on "Restrictions on Discretionary Payments of Licensed Banks".

Since the Financial Statements for the year 2023 are finalised and audited by the Bank's external auditors, the Board of Directors of the Bank has now recommended the payment of a first and final dividend of Rs. 6.50 per share to be paid and satisfied in the form of Rs. 4.50 per share in cash and Rs. 2.00 per share in the form of issue and allotment of new shares for both voting and non-voting ordinary shareholders' of the Bank for the year ended December 31, 2023,

subject to the applicable WHT as disclosed in Note 9.3.1 on page 301.

The above first and final dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting to be held on March 28, 2024 and in accordance with provisions of LKAS 10, the first and final dividend referred to above has not been recognised as a liability as at the year end as disclosed in Note 7.7 on page 297.

26 Classification of financial assets and financial liabilities

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Group and the Bank:

26.1 Classification of financial assets and financial liabilities – Group

	Note	Page No.	As at December 31, 2023				As at December 31, 2022			
			Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets										
Cash and cash equivalents	28	320	–	159,701,507	–	159,701,507	–	151,109,490	–	151,109,490
Balances with Central Banks	29	321	–	62,633,503	–	62,633,503	–	78,597,120	–	78,597,120
Placements with banks	30	321	–	81,506,653	–	81,506,653	–	96,082,937	–	96,082,937
Securities purchased under resale agreements			–	31,148,729	–	31,148,729	–	1,517,308	–	1,517,308
Derivative financial assets	31	322	7,226,484	–	–	7,226,484	8,345,091	–	–	8,345,091
Financial assets recognised through profit or loss – measured at fair value	32	323	29,449,653	–	–	29,449,653	24,873,057	–	–	24,873,057
Financial assets at amortised cost – loans and advances to other customers	33	326	–	1,204,865,597	–	1,204,865,597	–	1,155,492,527	–	1,155,492,527
Financial assets at amortised cost – debt and other financial instruments	34	330	–	685,155,537	–	685,155,537	–	761,650,234	–	761,650,234
Financial assets measured at fair value through other comprehensive income	35	332	–	–	287,732,972	287,732,972	–	–	118,652,257	118,652,257
Total financial assets			36,676,137	2,225,011,526	287,732,972	2,549,420,635	33,218,148	2,244,449,616	118,652,257	2,396,320,021
Financial liabilities										
Due to banks	43	356	–	47,948,578	–	47,948,578	–	64,971,170	–	64,971,170
Derivative financial liabilities	44	356	2,319,209	–	–	2,319,209	2,880,667	–	–	2,880,667
Securities sold under repurchase agreements			–	111,186,824	–	111,186,824	–	97,726,435	–	97,726,435
Financial liabilities at amortised cost – due to depositors	45	357	–	2,147,906,858	–	2,147,906,858	–	1,977,743,661	–	1,977,743,661
Financial liabilities at amortised cost – other borrowings	46	358	–	12,756,021	–	12,756,021	–	16,150,356	–	16,150,356
Subordinated liabilities	50	368	–	36,482,939	–	36,482,939	–	61,400,967	–	61,400,967
Total financial liabilities			2,319,209	2,356,281,220	–	2,358,600,429	2,880,667	2,217,992,589	–	2,220,873,256

26.2 Classification of financial assets and financial liabilities – Bank

	Note	Page No.	As at December 31, 2023				As at December 31, 2022			
			Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets										
Cash and cash equivalents	28	320	–	157,819,287	–	157,819,287	–	149,393,611	–	149,393,611
Balances with Central Banks	29	321	–	52,817,502	–	52,817,502	–	66,493,499	–	66,493,499
Placements with banks	30	321	–	81,344,696	–	81,344,696	–	95,899,645	–	95,899,645
Securities purchased under resale agreements			–	31,148,729	–	31,148,729	–	1,517,308	–	1,517,308
Derivative financial assets	31	322	7,226,484	–	–	7,226,484	8,345,091	–	–	8,345,091
Financial assets recognised through profit or loss – measured at fair value	32	323	29,449,653	–	–	29,449,653	24,873,057	–	–	24,873,057
Financial assets at amortised cost – loans and advances to other customers	33	326	–	1,176,359,971	–	1,176,359,971	–	1,130,442,579	–	1,130,442,579
Financial assets at amortised cost – debt and other financial instruments	34	330	–	649,740,408	–	649,740,408	–	725,935,299	–	725,935,299
Financial assets measured at fair value through other comprehensive income	35	332	–	–	287,023,009	287,023,009	–	–	117,056,240	117,056,240
Total financial assets			36,676,137	2,149,230,593	287,023,009	2,472,929,739	33,218,148	2,169,681,941	117,056,240	2,319,956,329
Financial liabilities										
Due to banks	43	356	–	47,274,361	–	47,274,361	–	65,130,061	–	65,130,061
Derivative financial liabilities	44	356	2,319,209	–	–	2,319,209	2,880,667	–	–	2,880,667
Securities sold under repurchase agreements			–	111,198,516	–	111,198,516	–	97,726,435	–	97,726,435
Financial liabilities at amortised cost – due to depositors	45	357	–	2,085,046,149	–	2,085,046,149	–	1,914,359,494	–	1,914,359,494
Financial liabilities at amortised cost – other borrowings	46	358	–	12,756,021	–	12,756,021	–	16,150,356	–	16,150,356
Subordinated liabilities	50	368	–	36,482,939	–	36,482,939	–	61,400,967	–	61,400,967
Total financial liabilities			2,319,209	2,292,757,986	–	2,295,077,195	2,880,667	2,154,767,313	–	2,157,647,980

27 Fair value measurement

ACCOUNTING POLICY

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations

(assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using;

- quoted prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of

observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

27.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position:

			GROUP				BANK			
As at December 31, 2023	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	38	337	–	–	17,013,919	17,013,919	–	–	16,069,441	16,069,441
Investment properties	39	349	–	–	597,825	597,825	–	–	–	–
Total non-financial assets at fair value			–	–	17,611,744	17,611,744	–	–	16,069,441	16,069,441
Financial assets										
Derivative financial assets	31	322								
Currency swaps			–	5,380,997	–	5,380,997	–	5,380,997	–	5,380,997
Interest rate swaps – USD			–	–	–	–	–	–	–	–
Forward contracts			–	1,840,608	–	1,840,608	–	1,840,608	–	1,840,608
Spot contracts			–	4,879	–	4,879	–	4,879	–	4,879
Financial assets recognised through profit or loss – measured at fair value	32	323								
Government securities			26,894,480	–	–	26,894,480	26,894,480	–	–	26,894,480
Equity shares			2,555,173	–	–	2,555,173	2,555,173	–	–	2,555,173
Financial assets measured at fair value through other comprehensive income	35	332								
Government securities			287,536,621	–	–	287,536,621	286,826,782	–	–	286,826,782
Equity securities			137,086	–	59,265	196,351	137,086	–	59,141	196,227
Total financial assets at fair value			317,123,360	7,226,484	59,265	324,409,109	316,413,521	7,226,484	59,141	323,699,146
Total assets at fair value			317,123,360	7,226,484	17,671,009	342,020,853	316,413,521	7,226,484	16,128,582	339,768,587
Financial liabilities										
Derivative financial liabilities	44	356								
Currency swaps			–	1,429,366	–	1,429,366	–	1,429,366	–	1,429,366
Interest rate swaps – LKR			–	42,367	–	42,367	–	42,367	–	42,367
Forward contracts			–	838,315	–	838,315	–	838,315	–	838,315
Spot contracts			–	9,161	–	9,161	–	9,161	–	9,161
Total liabilities at fair value			–	2,319,209	–	2,319,209	–	2,319,209	–	2,319,209

			GROUP				BANK			
As at December 31, 2022										
	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	38	337	–	–	15,557,919	15,557,919	–	–	14,763,482	14,763,482
Investment properties	39	349	–	–	80,350	80,350	–	–	–	–
Total non-financial assets at fair value			–	–	15,638,269	15,638,269	–	–	14,763,482	14,763,482
Financial assets										
Derivative financial assets			31	322						
Currency swaps			–	6,937,076	–	6,937,076	–	6,937,076	–	6,937,076
Interest rate swaps – USD			–	52,220	–	52,220	–	52,220	–	52,220
Forward contracts			–	1,355,230	–	1,355,230	–	1,355,230	–	1,355,230
Spot contracts			–	565	–	565	–	565	–	565
Financial assets recognised through profit or loss – measured at fair value			32	323						
Government securities			22,848,251	–	–	22,848,251	22,848,251	–	–	22,848,251
Equity shares			2,024,806	–	–	2,024,806	2,024,806	–	–	2,024,806
Financial assets measured at fair value through other comprehensive income			35	332						
Government securities			118,436,200	–	–	118,436,200	116,840,307	–	–	116,840,307
Equity securities			150,566	–	65,491	216,057	150,566	–	65,367	215,933
Total financial assets at fair value			143,459,823	8,345,091	65,491	151,870,405	141,863,930	8,345,091	65,367	150,274,388
Total assets at fair value			143,459,823	8,345,091	15,703,760	167,508,674	141,863,930	8,345,091	14,828,849	165,037,870
Financial liabilities										
Derivative financial liabilities			44	356						
Currency swaps			–	1,996,458	–	1,996,458	–	1,996,458	–	1,996,458
Interest rate swaps – LKR			–	509,185	–	509,185	–	509,185	–	509,185
Forward contracts			–	373,965	–	373,965	–	373,965	–	373,965
Spot contracts			–	1,059	–	1,059	–	1,059	–	1,059
Total liabilities at fair value			–	2,880,667	–	2,880,667	–	2,880,667	–	2,880,667

27.2 Level 3 fair value measurement

Property, Plant and Equipment (PPE)

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is given in Notes 38.1 to 38.4 on pages 338 to 342.

Reconciliation of Revaluation Reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on pages 270 to 277.

Note 38.5 (b) on page 343 provides information on significant unobservable inputs used in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 38.5 (c) on page 348 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Investment properties

Reconciliation from the beginning balance to the ending balance for the investment properties in the Level 3 of the fair value hierarchy is available in Note 39 on page 349.

Note 39.1 (b) on page 351 provides information on significant unobservable inputs used in measuring fair value of investment properties categorised as level 3 in the fair value hierarchy.

Note 39.1 (c) on page 352 provides details of valuation techniques used and the sensitivity of fair value measurement to changes in significant unobservable inputs.

27.3 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and advances, due to depositors, subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy used:

As at December 31, 2023			GROUP					BANK				
			Level 1	Level 2	Level 3	Total fair values	Total carrying amount	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Note Page No.			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets												
Cash and cash equivalents	28	320	-	159,701,507	-	159,701,507	159,701,507	-	157,819,287	-	157,819,287	157,819,287
Balances with Central Banks	29	321	-	62,633,503	-	62,633,503	62,633,503	-	52,817,502	-	52,817,502	52,817,502
Placements with banks	30	321	-	81,506,653	-	81,506,653	81,506,653	-	81,344,696	-	81,344,696	81,344,696
Securities purchased under resale agreements			-	31,148,729	-	31,148,729	31,148,729	-	31,148,729	-	31,148,729	31,148,729
Financial assets at amortised cost – loans and advances to other customers	33	326	-	-	1,175,864,097	1,175,864,097	1,204,865,597	-	-	1,147,358,471	1,147,358,471	1,176,359,971
Financial assets at amortised cost – debt and other financial instruments	34	330	665,889,078	24,114,999	-	690,004,077	685,155,537	630,473,949	24,114,999	-	654,588,948	649,740,408
Total financial assets			665,889,078	359,105,391	1,175,864,097	2,200,858,566	2,225,011,526	630,473,949	347,245,213	1,147,358,471	2,125,077,633	2,149,230,593
Financial liabilities												
Due to banks	43	356	-	-	47,948,578	47,948,578	47,948,578	-	-	47,274,361	47,274,361	47,274,361
Securities sold under repurchase agreements			-	111,186,824	-	111,186,824	111,186,824	-	111,198,516	-	111,198,516	111,198,516
Financial liabilities at amortised cost – due to depositors	45	357	-	-	2,156,899,386	2,156,899,386	2,147,906,858	-	-	2,094,038,677	2,094,038,677	2,085,046,149
Financial liabilities at amortised cost – other borrowings	46	358	-	-	12,756,021	12,756,021	12,756,021	-	-	12,756,021	12,756,021	12,756,021
Subordinated liabilities	50	368	-	-	40,279,813	40,279,813	36,482,939	-	-	40,279,813	40,279,813	36,482,939
Total financial liabilities			-	111,186,824	2,257,883,798	2,369,070,622	2,356,281,220	-	111,198,516	2,194,348,872	2,305,547,388	2,292,757,986

As at December 31, 2022			GROUP					BANK				
			Level 1	Level 2	Level 3	Total fair values	Total carrying amount	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Note Page No.			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets												
Cash and cash equivalents	28	320	-	151,109,490	-	151,109,490	151,109,490	-	149,393,611	-	149,393,611	149,393,611
Balances with Central Banks	29	321	-	78,597,120	-	78,597,120	78,597,120	-	66,493,499	-	66,493,499	66,493,499
Placements with banks	30	321	-	96,082,937	-	96,082,937	96,082,937	-	95,899,645	-	95,899,645	95,899,645
Securities purchased under resale agreements			-	1,517,308	-	1,517,308	1,517,308	-	1,517,308	-	1,517,308	1,517,308
Financial assets at amortised cost – loans and advances to other customers	33	326	-	-	1,090,864,107	1,090,864,107	1,155,492,527	-	-	1,065,814,159	1,065,814,159	1,130,442,579
Financial assets at amortised cost – debt and other financial instruments	34	330	503,835,751	53,911,427	-	557,747,178	761,650,234	468,120,816	53,911,427	-	522,032,243	725,935,299
Total financial assets			503,835,751	381,218,282	1,090,864,107	1,975,918,140	2,244,449,616	468,120,816	367,215,490	1,065,814,159	1,901,150,465	2,169,681,941
Financial liabilities												
Due to banks	43	356	-	-	64,971,170	64,971,170	64,971,170	-	-	65,130,061	65,130,061	65,130,061
Securities sold under repurchase agreements			-	97,726,435	-	97,726,435	97,726,435	-	97,726,435	-	97,726,435	97,726,435
Financial liabilities at amortised cost – due to depositors	45	357	-	-	1,985,993,019	1,985,993,019	1,977,743,661	-	-	1,922,608,851	1,922,608,851	1,914,359,494
Financial liabilities at amortised cost – other borrowings	46	358	-	-	16,150,356	16,150,356	16,150,356	-	-	16,150,356	16,150,356	16,150,356
Subordinated liabilities	50	368	-	-	54,899,526	54,899,526	61,400,967	-	-	54,899,526	54,899,526	61,400,967
Total financial liabilities			-	97,726,435	2,122,014,071	2,219,740,506	2,217,992,589	-	97,726,435	2,058,788,794	2,156,515,229	2,154,767,313

27.4 Valuation techniques and inputs in measuring fair values

The table below provides information on the valuation techniques and inputs used in measuring the fair values of derivative financial assets and liabilities in the Level 2 of the fair value hierarchy, as given in Note 27.1 on page 317.

Type of financial instruments	Fair value as at December 31, 2023 (Rs. '000)	Valuation technique	Significant valuation inputs
Derivative financial assets	7,226,484	Adjusted forward rate approach This approach considers the present value of projected forward exchange rate as at the reporting date as the fair value. The said forward rate is projected, based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	Spot exchange rate
Derivative financial liabilities	2,319,209		Interest rate differentials between currencies under consideration

28 Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, demand placements with banks and loans at call/short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition. These are subject to an

insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash

equivalents held by the Group companies that were not available for use by the Group. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

				GROUP		BANK	
As at December 31,				2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note	Page No.					
Cash in hand				54,731,698	48,162,374	53,483,401	47,104,381
Coins and notes held in local currency				46,904,054	39,514,575	46,842,715	39,489,686
Coins and notes held in foreign currency				7,827,644	8,647,799	6,640,686	7,614,695
Balances with banks				78,860,419	86,403,404	78,226,129	85,745,179
Local banks				82,398	57,078	–	–
Foreign banks				78,778,021	86,346,326	78,226,129	85,745,179
Money at call and at short notice				26,124,341	16,557,741	26,124,342	16,557,741
Gross cash and cash equivalents (*)				159,716,458	151,123,519	157,833,872	149,407,301
Less: Provision for impairment	28.1	320		14,951	14,029	14,585	13,690
Net cash and cash equivalents				159,701,507	151,109,490	157,819,287	149,393,611

(*) Gross cash and cash equivalents are reported in the Statement of Cash Flows.

28.1 Movement in provision for impairment during the year

				GROUP		BANK	
				2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note	Page No.					
Movement in Stage 1 impairment							
Balance as at January 01,				14,029	7,613	13,690	7,555
Charge/(write back) to the Income Statement	18.1 & 18.2	309		2,729	3,131	2,662	2,921
Exchange rate variance on foreign currency provisions				(1,807)	3,285	(1,767)	3,214
Balance as at December 31,				14,951	14,029	14,585	13,690

The maturity analysis of cash and cash equivalents is given in Note 60 on pages 380 and 381.

29 Balances with Central Banks

ACCOUNTING POLICY

Balances with Central Banks consist of Statutory/Non-statutory balances with Central Banks and are carried at amortised cost in the Statement of Financial Position.

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Statutory balances with Central Banks				
Balances with Central Bank of Sri Lanka	9,939,660	35,944,930	9,939,660	35,944,930
Balances with Bangladesh Bank	37,974,389	30,548,569	37,974,389	30,548,569
Balances with Maldives Monetary Authority	5,725,865	5,773,115	–	–
Non-statutory balances with Central Banks				
Balances with Central Bank of Sri Lanka	4,903,453	–	4,903,453	–
Balances with Maldives Monetary Authority	4,090,136	6,330,506	–	–
Total	62,633,503	78,597,120	52,817,502	66,493,499

The maturity analysis of balances with Central Banks is given in Note 60 on pages 380 and 381.

Balances with Central Bank of Sri Lanka

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at December 31, 2023, the minimum cash reserve requirement was 2.00% of the rupee deposit liabilities and this rate was applicable from August 16, 2023. (4.00% as at December 31, 2022). There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Offshore Banking Centre (OBC) in Sri Lanka.

Balances with Bangladesh Bank

The Bank's Bangladesh operation is required to maintain the Statutory Liquidity Requirement on time and demand liabilities (both local and foreign currencies), partly in the form of a Cash Reserve Requirement and the balance by way of foreign currency and/or in the form of unencumbered securities held with the Bangladesh Bank. As per the Bangladesh Bank regulations, the Statutory Liquidity Requirement as at December 31, 2023 was 17.00% for Domestic Banking Unit (DBU) and 15.00% for Off-shore Banking Unit (OBU) (17.00% for DBU and 15.00% for OBU in 2022) on time and demand liabilities (both local and foreign currencies), which includes a Cash Reserve Requirement of 4.00% on DBU and 2.00% for OBU (4.00% on DBU and 2.00% for OBU in 2022) and the balance 13.00% is permitted to be

maintained in foreign currency and/or also in unencumbered securities held with the Bangladesh Bank for both DBU and OBU (13.00% for both DBU and OBU in 2022).

Balances with Maldives Monetary Authority

According to the Banking Act No. 24 of 2010, the CBM requires to maintain a statutory reserve on all deposit liabilities denominated in both foreign currency and local currency excluding interbank deposits of other Banks in Maldives, letter of credit and margin deposits. According to the regulations laid down by the Maldives Monetary Authority (MMA), the Minimum Reserve Requirement (MRR) as at December 31, 2023 was 10.00% for Maldivian Rufiyaa and USD currency. (10.00% as at December 31, 2022).

30 Placements with banks

As at December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Placements – Within Sri Lanka			3,310,863	–	3,310,863	–
Placements – Outside Sri Lanka			78,237,355	96,117,256	78,075,229	95,933,756
Gross placements with banks			81,548,218	96,117,256	81,386,092	95,933,756
Less: Provision for impairment	30.1	322	41,565	34,319	41,396	34,111
Net placements with banks			81,506,653	96,082,937	81,344,696	95,899,645

30.1 Movement in provision for impairment during the year

			GROUP		BANK	
	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Movement in Stage 1 impairment						
Balance as at January 01,			34,319	37,225	34,111	5,930
Charge/(write back) to the Income Statement			11,372	(26,571)	11,387	24,962
Exchange rate variance on foreign currency provisions			(4,126)	23,665	(4,102)	3,219
Balance as at December 31,			41,565	34,319	41,396	34,111

The maturity analysis of placements with banks is given in Note 60 on pages 380 and 381.

31 Derivative financial assets**ACCOUNTING POLICY**

The Bank uses derivatives such as interest rate swaps, foreign currency swaps, forward foreign exchange contracts, currency options, etc. Derivative financial assets are recorded at fair value. Changes in the fair value of derivatives are included in "Net Gains/(Losses) from Trading" in the Income Statement.

Under SLFRS 9, embedded derivatives are not separated from a host financial asset and are classified entirely based on the business model and their contractual terms.

Derivatives embedded in non-financial host contracts are treated separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract,

a separate instrument with the same terms as embedded derivative would meet the definition of derivative and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Income Statement.

			GROUP		BANK	
As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Derivative financial assets – Held for trading						
Foreign currency derivatives			7,226,484	8,292,871	7,226,484	8,292,871
Currency swaps			5,380,997	6,937,076	5,380,997	6,937,076
Forward contracts			1,840,608	1,355,230	1,840,608	1,355,230
Spot contracts			4,879	565	4,879	565
Currency options			–	–	–	–
Derivative financial assets – Cash flow hedges held for risk management						
Interest rate swaps – USD			–	52,220	–	52,220
Total			7,226,484	8,345,091	7,226,484	8,345,091

The maturity analysis of derivative financial assets is given in Note 60 on pages 380 and 381.

32 Financial assets recognised through profit or loss – measured at fair value

ACCOUNTING POLICY

This includes financial assets that are held for trading purposes. The financial assets are classified as held for trading if:

- They are acquired principally for the purpose of selling or repurchasing in the near term; or
- They are held as part of portfolio that is managed together for short-term profit or position taking; or
- They form part of derivative financial instruments entered into by the Group that are not financial guaranteed contracts

or designated as hedging instruments in effective hedging relationships.

Financial assets held for trading are measured at fair value through profit or loss in the SOFP. Interest and dividend income are recorded in "Interest Income" and "Net Gains/(Losses) from Trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

Financial assets held for trading include instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

			GROUP		BANK	
As at December 31,			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note	Page No.				
Government securities	32.1	323	26,894,480	22,848,251	26,894,480	22,848,251
Equity securities	32.2	323	2,555,173	2,024,806	2,555,173	2,024,806
Total			29,449,653	24,873,057	29,449,653	24,873,057

The maturity analysis of financial assets recognised through profit or loss is given in Note 60 on pages 380 and 381.

32.1 Government securities

			GROUP		BANK	
As at December 31,			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Treasury Bills			22,678,417	11,703,803	22,678,417	11,703,803
Treasury Bonds			4,216,063	11,144,448	4,216,063	11,144,448
Total			26,894,480	22,848,251	26,894,480	22,848,251

32.2 Equity securities – Group and Bank

Sector/Name of the Company	As at December 31, 2023				As at December 31, 2022			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000
Application Software								
hSenid Business Solutions Limited	1,520,900	11.50	17,490	29,080	1,520,900	17.00	25,855	29,080
Subtotal			17,490	29,080			25,855	29,080
Automobiles and Components								
Kelani Tyres PLC	71,000	63.50	4,509	5,836	71,000	58.00	4,118	5,836
Subtotal			4,509	5,836			4,118	5,836

Sector/Name of the Company	As at December 31, 2023				As at December 31, 2022			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000
Banks								
DFCC Bank PLC	4,054	79.60	323	262	3,869	32.00	124	256
Hatton National Bank PLC	310,235	169.25	52,507	37,524	297,588	78.90	23,480	36,259
Hatton National Bank PLC (Non-voting)	258,641	140.00	36,210	27,402	244,978	70.00	17,148	26,360
National Development Bank PLC	398,386	64.90	25,855	46,893	379,069	32.00	12,130	46,028
Nations Trust Bank PLC	450,771	107.50	48,458	27,045	424,955	46.20	19,633	25,600
Sampath Bank PLC	634,640	70.50	44,742	28,937	619,311	34.20	21,180	28,331
Seylan Bank PLC	1,278	43.90	56	59	1,218	31.60	38	57
Subtotal			208,151	168,122			93,733	162,891
Capital Goods								
Access Engineering PLC	500,000	20.30	10,150	12,557	500,000	10.70	5,350	12,557
Aitken Spence PLC	-	-	-	-	210,000	128.00	26,880	8,494
Colombo Dockyard PLC	75,000	50.50	3,788	16,685	75,000	59.00	4,425	16,685
Hemas Holdings PLC	788,619	66.70	52,601	55,698	300,000	56.40	16,920	23,201
John Keells Holdings PLC	330,000	191.00	63,030	49,927	200,000	135.25	27,050	31,178
Renuka Holdings PLC	124,434	12.70	1,580	3,275	121,418	13.80	1,676	3,227
Renuka Holdings PLC (Non-voting)	285,445	10.80	3,083	5,175	276,311	12.80	3,537	5,064
Subtotal			134,232	143,317			85,838	100,406
Consumer Durables and Apparel								
Teejay Lanka PLC	1,000,000	36.30	36,300	43,459	1,000,000	31.70	31,700	43,459
Subtotal			36,300	43,459			31,700	43,459
Consumer Services								
John Keells Hotels PLC	267,608	18.80	5,031	3,473	267,608	16.50	4,416	3,473
Tal Lanka Hotels PLC	212,390	19.00	4,035	6,625	212,390	16.40	3,483	6,625
Subtotal			9,066	10,098			7,899	10,098
Diversified Financials								
Central Finance Company PLC	309,250	105.25	32,549	28,575	205,782	62.50	12,861	19,420
Citizen Development Business Finance PLC (Non-voting)	105,390	80.30	8,463	3,398	105,390	53.40	5,628	3,398
Lanka Ventures PLC	-	-	-	-	100,000	32.60	3,260	3,033
People's Leasing & Finance PLC	1,764,126	10.70	18,876	21,557	1,764,126	5.00	8,821	21,557
VISA Inc.	19,424	USD.260.35	1,639,745	-	19,424	USD. 207.76	1,481,040	-
Subtotal			1,699,633	53,530			1,511,610	47,408
Food and Staples Retailing								
Cargills (Ceylon) PLC	179,920	338.50	60,903	41,568	103,935	234.75	24,399	21,103
Subtotal			60,903	41,568			24,399	21,103

Sector/Name of the Company	As at December 31, 2023				As at December 31, 2022			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000
Food, Beverage and Tobacco								
Ceylon Cold Stores PLC	500,000	42.40	21,200	21,488	500,000	36.90	18,450	21,488
Ceylon Grain Elevators PLC	250,000	158.50	39,625	18,156	250,000	80.50	20,125	18,156
Kotagala Plantations PLC	302,625	6.20	1,876	9,172	302,625	7.70	2,330	9,172
Lanka Milk Foods (CWE) PLC	275,000	228.75	62,906	31,720	250,000	123.75	30,938	27,866
Lion Brewery Ceylon PLC	50,000	920.25	46,013	32,256	20,000	559.50	11,190	11,021
Melstacorp PLC	245,960	84.30	20,734	9,814	245,960	46.20	11,363	9,814
Pelwatte Sugar Industries PLC	12,300	0.10	1	351	12,300	0.10	1	351
Subtotal			192,355	122,957			94,397	97,868
Health Care Equipment and Services								
Ceylon Hospitals PLC	131,728	120.00	15,807	13,974	121,900	145.00	17,676	12,868
Ceylon Hospitals PLC (Non-voting)	64,918	104.00	6,751	4,766	61,100	110.00	6,721	4,423
Subtotal			22,558	18,740			24,397	17,291
Insurance								
HNB Assurance PLC	413,000	56.60	23,376	22,493	350,000	42.90	15,015	19,339
Subtotal			23,376	22,493			15,015	19,339
Materials								
Chevron Lubricants Lanka PLC	450,000	90.30	40,635	43,311	100,000	96.50	9,650	10,618
CIC Holdings PLC (Non-voting)	408,100	42.50	17,344	7,391	408,100	55.60	22,690	7,391
Ex-pack Corrugated Cartons PLC	977,000	12.40	12,115	14,070	-	-	-	-
Haycarb PLC	205,630	64.30	13,222	3,055	205,630	57.60	11,844	3,055
JAT Holdings PLC	1,000,000	15.30	15,300	22,999	1,000,000	12.40	12,400	22,999
Subtotal			98,616	90,826			56,584	44,063
Real Estate								
Overseas Reality Ceylon PLC	183,320	15.00	2,750	2,717	183,320	14.90	2,731	2,717
Subtotal			2,750	2,717			2,731	2,717
Telecommunication Services								
Dialog Axiata PLC	3,515,672	9.00	31,641	31,299	3,515,672	8.50	29,883	31,299
Subtotal			31,641	31,299			29,883	31,299
Transportation								
Expolanka PLC	70,000	143.25	10,028	19,039	70,000	182.25	12,758	19,039
Subtotal			10,028	19,039			12,758	19,039
Utilities								
LVL Energy Fund PLC	648,100	5.50	3,565	6,481	648,100	6.00	3,889	6,481
Subtotal			3,565	6,481			3,889	6,481
Total			2,555,173	809,562			2,024,806	658,378
Mark to market gains/(losses)				1,745,611				1,366,428
Market value of equity securities				2,555,173				2,024,806

32.3 Industry/Sector composition of equity securities – Group and Bank

Industry/Sector	As at December 31, 2023			As at December 31, 2022		
	Market value	Cost of the investment		Market value	Cost of the investment	
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Application Software	17,490	29,080	0.68	25,855	29,080	1.28
Automobiles and Components	4,509	5,836	0.18	4,118	5,836	0.20
Banks	208,151	168,122	8.15	93,733	162,891	4.63
Capital Goods	134,232	143,317	5.25	85,838	100,406	4.24
Consumer Durables and Apparel	36,300	43,459	1.42	31,700	43,459	1.57
Consumer Services	9,066	10,098	0.35	7,899	10,098	0.39
Diversified Financials	1,699,633	53,530	66.53	1,511,610	47,408	74.66
Food and Staples Retailing	60,903	41,568	2.38	24,399	21,103	1.21
Food, Beverage and Tobacco	192,355	122,957	7.53	94,397	97,868	4.66
Health Care Equipment and Services	22,558	18,740	0.88	24,397	17,291	1.20
Insurance	23,376	22,493	0.91	15,015	19,339	0.74
Materials	98,616	90,826	3.86	56,584	44,063	2.79
Real Estate	2,750	2,717	0.11	2,731	2,717	0.13
Telecommunication Services	31,641	31,299	1.24	29,883	31,299	1.48
Transportation	10,028	19,039	0.39	12,758	19,039	0.63
Utilities	3,565	6,481	0.14	3,889	6,481	0.19
Subtotal	2,555,173	809,562	100.00	2,024,806	658,378	100.00
Mark to market gains/(losses)		1,745,611			1,366,428	
Market value of equity securities	2,555,173	2,555,173	100.00	2,024,806	2,024,806	100.00

33 Financial assets at amortised cost – loans and advances to other customers**ACCOUNTING POLICY**

Financial assets at amortised cost – loans and advances to other customers includes, Loans and Advances and Lease Receivables of the Group.

As per SLFRS 9, “Loans and advances to other customers” are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within “Loans and advances to other customers” in the Statement of Financial Position.

After initial measurement, “Loans and advances to other customers” are

subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in “Interest Income”, while the losses arising from impairment are recognised in “Impairment charges and other losses” in the Income Statement.

			GROUP		BANK	
As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Gross loans and advances			1,295,751,342	1,246,170,215	1,265,559,303	1,219,667,243
Stage 1			1,015,636,098	951,723,344	993,758,010	931,509,687
Stage 2			132,979,271	176,900,079	128,237,702	173,418,701
Stage 3 (*)			147,135,973	117,546,792	143,563,591	114,738,855
Less: Provision for impairment	33.2 (a) & 33.2 (b) 328		90,885,745	90,677,688	89,199,332	89,224,664
Stage 1			9,009,921	14,799,919	8,800,339	14,598,587
Stage 2			17,421,283	28,559,919	17,182,146	28,248,676
Stage 3			64,454,541	47,317,850	63,216,847	46,377,401
Net loans and advances			1,204,865,597	1,155,492,527	1,176,359,971	1,130,442,579

(*) As at December 31, 2023, gross loans and advances in stage 3 include Rs. 778.335 Mn. (2022 - Nil) granted against guarantees issued by the Government of Sri Lanka.

The maturity analysis of loans and advances to other customers is given in Note 60 on pages 380 and 381.

33.1 Analysis of financial assets at amortised cost – loans and advances to other customers

33.1 (a) By product

			GROUP		BANK	
As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Loans and advances						
Overdrafts			135,295,906	143,318,360	131,267,553	139,666,938
Trade finance			101,998,810	119,167,451	100,495,388	118,421,172
Lease/hire purchase receivable	33.3	329	39,627,566	35,722,265	36,256,975	33,664,519
Credit cards			19,257,828	17,961,272	19,057,662	17,816,556
Pawning			35,143,437	16,389,557	34,904,612	16,389,557
Staff loans			13,321,724	13,651,705	13,278,472	13,627,366
Housing loans			72,779,167	76,697,598	72,779,167	76,697,598
Personal loans			36,511,348	44,163,456	35,566,423	43,477,949
Term loans						
Short term			286,073,725	234,491,161	285,715,817	234,188,617
Long term			506,554,402	512,885,849	487,049,805	493,995,430
Bills of exchange			49,187,429	31,721,541	49,187,429	31,721,541
Total			1,295,751,342	1,246,170,215	1,265,559,303	1,219,667,243

33.1 (b) By currency

			GROUP		BANK	
As at December 31,			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sri Lankan Rupee			908,086,436	842,120,414	898,690,696	834,836,605
United States Dollar			217,448,978	228,254,025	207,292,040	217,649,967
Great Britain Pound			1,935,191	2,307,564	1,935,191	2,307,564
Euro			12,038,291	6,239,416	12,038,291	6,239,416
Australian Dollar			491,803	721,089	491,803	721,089
Japanese Yen			127,191	252,705	127,191	252,705
Bangladesh Taka			144,979,596	157,652,152	144,979,596	157,652,152
Maldivian Rufiyaa			9,927,955	8,074,579	–	–
Others			715,901	548,271	4,495	7,745
Total			1,295,751,342	1,246,170,215	1,265,559,303	1,219,667,243

33.1 (c) By industry

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Agriculture and fishing	121,093,824	126,475,449	120,681,798	126,178,180
Arts, entertainment and recreation	1,192,572	1,488,736	1,192,572	1,488,736
Construction	48,362,250	54,627,371	47,431,732	53,316,961
Consumption and other	175,204,305	129,274,363	172,090,004	129,185,331
Education	4,064,599	3,774,937	3,962,932	3,541,598
Financial services	78,547,744	95,254,707	80,743,667	97,270,834
Healthcare, social services and support services	24,769,514	24,631,507	21,947,478	22,378,082
Information technology and communication services	18,777,066	17,387,197	18,777,066	17,387,197
Infrastructure development	32,803,179	33,981,732	32,800,754	33,938,512
Lending to overseas entities	213,164,508	208,063,238	192,368,209	188,844,073
Manufacturing	187,172,742	152,676,544	186,910,130	152,344,919
Professional, scientific, and technical activities	23,788,744	27,476,630	23,788,744	27,476,630
Tourism	75,722,018	86,703,188	75,221,083	85,893,270
Transport and storage	28,037,856	22,594,696	27,714,157	22,368,927
Wholesale and retail trade	263,050,421	261,759,920	259,928,977	258,053,993
Total	1,295,751,342	1,246,170,215	1,265,559,303	1,219,667,243

33.2 Movement in provision for impairment during the year**33.2 (a) Group**

	Note	Page No.	Stage 1		Stage 2		Stage 3		Total	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			14,799,919	10,181,101	28,559,919	19,165,658	47,317,850	36,000,048	90,677,688	65,346,807
Charge/(write back) to the Income Statement	18.1	309	(5,278,093)	2,380,186	(10,782,914)	8,141,759	22,224,852	11,774,774	6,163,845	22,296,719
Net write-off during the year			-	-	-	-	(136,623)	(3,045,410)	(136,623)	(3,045,410)
Exchange rate variance on foreign currency provisions			(511,905)	2,238,632	(355,722)	1,252,502	(1,535,544)	3,608,687	(2,403,171)	7,099,821
Interest accrued on impaired loans and advances	13.1	302	-	-	-	-	(3,512,986)	(1,295,278)	(3,512,986)	(1,295,278)
Other movements			-	-	-	-	147,446	275,029	147,446	275,029
Transfers to non-distributable capital reserve (*)			-	-	-	-	(50,454)	-	(50,454)	-
Balance as at December 31,			9,009,921	14,799,919	17,421,283	28,559,919	64,454,541	47,317,850	90,885,745	90,677,688

(*) According to the Maldives Monetary Authority (MMA) guidelines on loan loss provisioning (CN-BSD/2018/8), the shortfall in impairment provided in accordance with SLFRS 9 as compared to the MMA provision base (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspense of Interest) was transferred to the statutory reserves as a non-distributable capital reserve.

33.2 (b) Bank

	Note	Page No.	Stage 1		Stage 2		Stage 3		Total	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			14,598,587	10,027,938	28,248,676	18,973,409	46,377,401	35,065,201	89,224,664	64,066,548
Charge/(write back) to the Income Statement	18.2	309	(5,303,991)	2,389,315	(10,715,219)	8,028,839	21,708,929	11,543,632	5,689,719	21,961,786
Net write-off during the year			-	-	-	-	69,927	(2,775,787)	69,927	(2,775,787)
Exchange rate variance on foreign currency provisions			(494,257)	2,181,334	(351,311)	1,246,428	(1,526,233)	3,581,147	(2,371,801)	7,008,909
Interest accrued on impaired loans and advances	13.1	302	-	-	-	-	(3,369,908)	(1,216,457)	(3,369,908)	(1,216,457)
Other movements			-	-	-	-	(43,269)	179,665	(43,269)	179,665
Balance as at December 31,			8,800,339	14,598,587	17,182,146	28,248,676	63,216,847	46,377,401	89,199,332	89,224,664

33.3 Lease/hire purchase receivable

As at December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Gross lease/hire purchase receivable	33.3 (a) & 33.3 (b)	329	39,627,566	35,722,265	36,256,975	33,664,519
Within one year			16,789,497	16,323,011	15,300,600	14,985,387
From one to five years			22,613,393	18,923,060	20,731,699	18,203,257
After five years			224,676	476,194	224,676	475,875
Less: Provision for impairment	33.3 (c) (i) & 33.3 (c) (ii)	330	1,815,689	1,911,698	1,471,514	1,760,692
Stage 1			186,581	307,395	121,879	302,763
Stage 2			558,225	859,465	463,256	809,886
Stage 3			1,070,883	744,838	886,379	648,043
Net lease/hire purchase receivable			37,811,877	33,810,567	34,785,461	31,903,827

33.3 (a) Lease/hire purchase receivable – Group

As at December 31,	Within one year		One to five years		After five years		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total lease/hire purchase receivable	21,330,058	19,114,885	27,384,495	21,905,192	229,181	486,124	48,943,734	41,506,201
Less: Unearned lease/hire purchase income	4,540,561	2,791,874	4,771,102	2,982,132	4,505	9,930	9,316,168	5,783,936
Gross lease/hire purchase receivable	16,789,497	16,323,011	22,613,393	18,923,060	224,676	476,194	39,627,566	35,722,265
Less: Provision for impairment	1,167,406	1,180,501	646,147	725,548	2,136	5,649	1,815,689	1,911,698
Stage 1	74,329	147,495	111,700	157,076	552	2,824	186,581	307,395
Stage 2	275,460	420,980	282,059	437,250	706	1,235	558,225	859,465
Stage 3	817,617	612,026	252,388	131,222	878	1,590	1,070,883	744,838
Net lease/hire purchase receivable	15,622,091	15,142,510	21,967,246	18,197,512	222,540	470,545	37,811,877	33,810,567

33.3 (b) Lease/hire purchase receivable – Bank

As at December 31,	Within one year		One to five years		After five years		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total lease/hire purchase receivable	19,235,395	17,527,817	24,745,387	20,960,378	229,181	485,798	44,209,963	38,973,993
Less: Unearned lease/hire purchase income	3,934,795	2,542,430	4,013,688	2,757,121	4,505	9,923	7,952,988	5,309,474
Gross lease/hire purchase receivable	15,300,600	14,985,387	20,731,699	18,203,257	224,676	475,875	36,256,975	33,664,519
Less: Provision for impairment	1,016,709	1,084,830	452,669	670,235	2,136	5,627	1,471,514	1,760,692
Stage 1	45,999	144,561	75,328	155,379	552	2,823	121,879	302,763
Stage 2	233,878	389,569	228,672	419,089	706	1,228	463,256	809,886
Stage 3	736,832	550,700	148,669	95,767	878	1,576	886,379	648,043
Net lease/hire purchase receivable	14,283,891	13,900,557	20,279,030	17,533,022	222,540	470,248	34,785,461	31,903,827

33.3 (c) Movement in provision for impairment during the year**33.3 (c) (i) Group**

	Stage 1		Stage 2		Stage 3		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	307,395	146,460	859,465	449,788	744,838	629,736	1,911,698	1,225,984
Charge/(write back) to the Income Statement	(119,594)	158,933	(300,803)	400,322	354,114	196,417	(66,283)	755,672
Net write-off during the year	-	-	-	-	(21,277)	(63,878)	(21,277)	(63,878)
Exchange rate variance on foreign currency provisions	(1,220)	2,002	(437)	9,355	(1,630)	2,088	(3,287)	13,445
Interest accrued on impaired loans and advances	-	-	-	-	(5,162)	(36,769)	(5,162)	(36,769)
Other movements	-	-	-	-	-	17,244	-	17,244
Balance as at December 31,	186,581	307,395	558,225	859,465	1,070,883	744,838	1,815,689	1,911,698

33.3 (c) (ii) Bank

	Stage 1		Stage 2		Stage 3		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	302,763	141,800	809,886	430,723	648,043	547,520	1,760,692	1,120,043
Charge/(write back) to the Income Statement	(179,664)	158,961	(346,193)	369,808	244,065	181,838	(281,792)	710,607
Net write-off during the year	-	-	-	-	1,063	(63,878)	1,063	(63,878)
Exchange rate variance on foreign currency provisions	(1,220)	2,002	(437)	9,355	(1,630)	2,088	(3,287)	13,445
Interest accrued on impaired loans and advances	-	-	-	-	(5,162)	(36,769)	(5,162)	(36,769)
Other movements	-	-	-	-	-	17,244	-	17,244
Balance as at December 31,	121,879	302,763	463,256	809,886	886,379	648,043	1,471,514	1,760,692

34 Financial assets at amortised cost – debt and other financial instruments**ACCOUNTING POLICY**

As per SLFRS 9, Financial assets are measured at amortised cost if it meets both of the following conditions and is not designated 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 on the principal amount outstanding.

After initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less

provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "impairment charges for loans and other losses" in the Income Statement.

As at December 31,			GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Note	Page No.					
Government Securities – Sri Lanka			714,453,957	761,687,245	714,312,593	760,873,767
Treasury Bills (**)			141,364	-	-	-
Treasury Bonds (*) (**)			529,848,008	536,463,694	529,848,008	536,404,874
Sri Lanka Sovereign Bonds (SLSB) (*) (**)			184,464,585	196,888,787	184,464,585	196,888,787
Sri Lanka Development Bonds (SLDB) (*)			-	28,334,764	-	27,580,106
Government Securities – Bangladesh			24,115,000	27,951,009	24,115,000	27,951,009
Treasury Bills			17,493,893	11,163,594	17,493,893	11,163,594
Treasury Bonds			6,621,107	16,787,415	6,621,107	16,787,415
Government Securities – Maldives			35,298,099	35,136,594	-	-
Treasury Bills			35,298,099	35,136,594	-	-
Other instruments			7,400,966	7,795,564	7,400,966	7,795,564
Debentures	34.2	331	6,193,024	6,521,553	6,193,024	6,521,553
Trust certificates	34.3	331	1,205,551	1,273,485	1,205,551	1,273,485
Corporate investments in Bangladesh	34.4	332	2,391	526	2,391	526
Less: Provision for impairment	34.1(a) & 34.1(b)	331	96,112,485	70,920,178	96,088,151	70,685,041
Total			685,155,537	761,650,234	649,740,408	725,935,299

(*) The Bank reclassified bulk of its Treasury Bond Portfolio, majority of Sri Lanka Development Bond (SLDB) portfolio and entire Sri Lanka Sovereign Bond (SLSB) portfolio to amortised cost from Fair Value Through Other Comprehensive Income (FVOCI) category during the year 2022. Refer Note 35.1 on page 333.

(**) Treasury bills & bonds denominated in local currency and SLSBs issued by the Government of Sri Lanka, are classified under Stage 1 and Stage 2 respectively in line with Banking Act Direction No. 14 of 2021 - Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks. The Bank considered the latest available information including the indicative terms of the restructuring exercise currently being undertaken by the Government of Sri Lanka in estimating the impairment provision of SLSBs as at December 31, 2023

34.1 Movement in provision for impairment during the year**34.1 (a) Group**

	Note	Page No.	Stage 1		Stage 2		Stage 3		Total	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			236,544	5,539,551	70,530,764	–	152,870	152,870	70,920,178	5,692,421
Charge/(write back) to the Income Statement	18.1	309	(172,536)	(5,342,455)	33,830,090	59,997,100	–	–	33,657,554	54,654,645
Exchange rate variance on foreign currency provisions			(25,976)	39,448	(8,439,271)	10,533,664	–	–	(8,465,247)	10,573,112
Balance as at December 31,			38,032	236,544	95,921,583	70,530,764	152,870	152,870	96,112,485	70,920,178

34.1 (b) Bank

	Note	Page No.	Stage 1		Stage 2		Stage 3		Total	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			1,407	5,514,900	70,530,764	–	152,870	152,870	70,685,041	5,667,770
Charge/(write back) to the Income Statement	18.2	309	12,291	(5,513,493)	33,830,090	59,997,100	–	–	33,842,381	54,483,607
Exchange rate variance on foreign currency provisions			–	–	(8,439,271)	10,533,664	–	–	(8,439,271)	10,533,664
Balance as at December 31,			13,698	1,407	95,921,583	70,530,764	152,870	152,870	96,088,151	70,685,041

The maturity analysis of financial assets at amortised cost – debt and other financial instruments is given in Note 60 on pages 380 and 381.

34.2 Debentures

As at December 31,	GROUP				BANK			
	2023		2022		2023		2022	
	Number of debentures	Gross carrying value Rs. '000	Number of debentures	Gross carrying value Rs. '000	Number of debentures	Gross carrying value Rs. '000	Number of debentures	Gross carrying value Rs. '000
Bogawantalawa Tea Estate PLC	919,100	80,317	919,100	80,317	919,100	80,317	919,100	80,317
Ceylon Electricity Board	50,000,000	5,333,014	50,000,000	5,333,014	50,000,000	5,333,014	50,000,000	5,333,014
MTD Walkers PLC	1,528,701	152,870	1,528,701	152,870	1,528,701	152,870	1,528,701	152,870
People's Leasing & Finance PLC	6,070,000	626,823	6,070,000	626,823	6,070,000	626,823	6,070,000	626,823
Singer Finance (Lanka) PLC	–	–	3,000,000	328,529	–	–	3,000,000	328,529
Subtotal		6,193,024		6,521,553		6,193,024		6,521,553

34.3 Trust certificates

As at December 31,	GROUP		BANK	
	2023 Gross carrying value Rs. '000	2022 Gross carrying value Rs. '000	2023 Gross carrying value Rs. '000	2022 Gross carrying value Rs. '000
Vallibel Finance PLC	1,205,551	1,273,485	1,205,551	1,273,485
Subtotal	1,205,551	1,273,485	1,205,551	1,273,485

34.4 Corporate investments in Bangladesh

As at December 31,	GROUP		BANK	
	2023 Gross carrying value Rs. '000	2022 Gross carrying value Rs. '000	2023 Gross carrying value Rs. '000	2022 Gross carrying value Rs. '000
Prize bonds	2,391	526	2,391	526
Subtotal	2,391	526	2,391	526

35 Financial assets measured at fair value through other comprehensive income

ACCOUNTING POLICY

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated 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 solely payments of principal and interest on the principal amount outstanding.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, and foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held

for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Net other operating income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

			GROUP		BANK	
As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Government securities						
Government securities – Sri Lanka	35.1	333	287,536,621	118,436,200	286,826,782	116,840,307
Less: Provision for impairment	35.2	333	–	–	–	–
			287,536,621	118,436,200	286,826,782	116,840,307
Equity securities						
	35.3 (a) & 35.3 (b)	333 & 334	196,351	216,057	196,227	215,933
Quoted shares			137,086	150,566	137,086	150,566
Unquoted shares			59,265	65,491	59,141	65,367
Total			287,732,972	118,652,257	287,023,009	117,056,240

The maturity analysis of financial assets measured at fair value through other comprehensive income is given in Note 60 on pages 380 and 381.

35.1 Government securities

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Treasury Bills (**)	186,265,311	103,030,681	185,555,472	101,434,788
US Treasury bills	31,962,782	–	31,962,782	–
Treasury Bonds (*) (**)	69,308,528	15,405,519	69,308,528	15,405,519
Sri Lanka Sovereign Bonds (SLSB) (*)	–	–	–	–
Sri Lanka Development Bonds (SLDB) (*)	–	–	–	–
Subtotal	287,536,621	118,436,200	286,826,782	116,840,307

(*) The Bank reclassified bulk of its Treasury Bond Portfolio amounting to Rs. 197.08 Bn., majority of Sri Lanka Development Bond (SLDB) portfolio amounting to Rs. 55.47 Bn., (USD 152.19 Mn.) and entire Sri Lanka Sovereign Bond (SLSB) portfolio amounting to Rs. 39.60 Bn., (USD 108.63 Mn.) from Fair Value Through Other Comprehensive Income (FVOCI) category to Amortised Cost category, with effect from April 01, 2022, in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio due to unprecedented changes in the macro-economic conditions. The fair value of the debt portfolio reclassified on April 01, 2022, and remaining as at December 31, 2023 amounted to Rs. 160.21 Bn., and the cumulative fair value loss thereon amounted to Rs. 27.44 Bn., (Net of tax Rs. 19.21 Bn.).

(**) Treasury bills and bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 in line with Banking Act Direction No. 14 of 2021 - Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

35.2 Movement in provision for impairment during the year

			GROUP		BANK	
	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Movement in Stage 1 impairment						
Balance as at January 01,			–	5,009,649	–	5,009,649
Charge/(write back) to the Income Statement	18.1 & 18.2	309	–	(7,349,651)	–	(7,349,651)
Exchange rate variance on foreign currency provisions			–	2,340,002	–	2,340,002
Balance as at December 31,			–	–	–	–

35.3 Equity securities

35.3 (a) Equity securities – As at December 31, 2023

Sector/Name of the Company	GROUP				BANK			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Quoted shares:								
Materials								
Alumex PLC	1,428,400	8.10	11,570	9,999	1,428,400	8.10	11,570	9,999
Subtotal			11,570	9,999			11,570	9,999
Retailing								
RIL Property PLC	24,610,964	5.10	125,516	196,888	24,610,964	5.10	125,516	196,888
Subtotal			125,516	196,888			125,516	196,888
Total – quoted shares			137,086	206,887			137,086	206,887
Unquoted shares:								
Other financial services								
Central Depository of Bangladesh Ltd.	3,427,083	BDT 2.75	27,821	27,821	3,427,083	BDT 2.75	27,821	27,821
Credit Information Bureau of Sri Lanka	5,637	100.00	564	564	4,400	100.00	440	440
LankaPay (Pvt) Limited	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000
Lanka Financial Services Bureau Limited	500,000	10.00	5,000	5,000	500,000	10.00	5,000	5,000
Lanka Ratings Agency Limited	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 841.90	7,259	7,259	47	EUR 841.90	7,259	7,259
National Credit Guarantee Institution Limited	101	10.00	1	1	101	10.00	1	1
Total – unquoted shares			59,265	59,265			59,141	59,141
Total equity securities			196,351	266,152			196,227	266,028

35.3 (b) Equity securities – As at December 31, 2022

Sector/Name of the Company	GROUP				BANK			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Quoted shares:								
Materials								
Alumex PLC	1,428,400	7.20	10,284	9,999	1,428,400	7.20	10,284	9,999
Subtotal			10,284	9,999			10,284	9,999
Retailing								
RIL Property PLC	24,610,964	5.70	140,282	196,888	24,610,964	5.70	140,282	196,888
Subtotal			140,282	196,888			140,282	196,888
Total – quoted shares			150,566	206,887			150,566	206,887
Unquoted shares:								
Other financial services								
Central Depository of Bangladesh Ltd.	3,427,083	BDT 2.75	34,048	34,048	3,427,083	BDT 2.75	34,048	34,048
Credit Information Bureau of Sri Lanka	5,637	100.00	564	564	4,400	100.00	440	440
LankaPay (Pvt) Limited	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000
Lanka Financial Services Bureau Limited	500,000	10.00	5,000	5,000	500,000	10.00	5,000	5,000
Lanka Ratings Agency Limited	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 841.90	7,259	7,259	47	EUR 841.90	7,259	7,259
Total – unquoted shares			65,491	65,491			65,367	65,367
Total equity securities			216,057	272,378			215,933	272,254

36 Investments in subsidiaries**ACCOUNTING POLICY**

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 Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Bank continues

to recognise the investments in subsidiaries at cost.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of all subsidiaries in the Group have a common financial year which ends on December 31, except for CBC Myanmar Microfinance Company Limited, whose financial year ends on March 31.

The reason for using a different reporting date by CBC Myanmar Microfinance Company Limited is due to requirements imposed by the Financial Regulatory Department of Myanmar. The Financial Statements of the Bank’s

subsidiaries are prepared using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent (the Bank) in the form of cash dividend or repayment of loans and advances.

All subsidiaries of the Bank have been incorporated in Sri Lanka except Commex Sri Lanka S.R.L., Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Company Limited which were incorporated in Italy, Republic of Maldives and Myanmar respectively.

				GROUP				BANK			
As at December 31,				2023		2022		2023		2022	
Note	Page No.	Holding %		Cost Rs. '000	Market value/ Directors' valuation Rs. '000	Cost Rs. '000	Market value/ Directors' valuation Rs. '000	Cost Rs. '000	Market value/ Directors' valuation Rs. '000	Cost Rs. '000	Market value/ Directors' valuation Rs. '000
Local subsidiaries:											
Quoted:											
Commercial Development Company PLC		90		-	-	-	-	261,198	1,206,900	261,198	1,031,400
(10,800,000 Ordinary Shares)								(@Rs. 111.75)		(@Rs.95.50)	
(10,800,000 Ordinary Shares as at December 31, 2022)											
Unquoted:											
CBC Tech Solutions Limited		100		-	-	-	-	5,000	5,000	5,000	5,000
(500,001 Ordinary Shares)											
(500,001 Ordinary Shares as at December 31, 2022)											
Commercial Insurance Brokers (Pvt) Ltd.		60		-	-	-	-	375,000	375,000	375,000	375,000
(359,999 Ordinary Shares)											
(359,999 Ordinary Shares as at December 31, 2022)											
CBC Finance Ltd.		100		-	-	-	-	3,791,046	3,791,046	3,791,046	3,791,046
(221,793,474 Ordinary Shares)											
(221,793,474 Ordinary Shares as at December 31, 2022)											
Foreign subsidiaries:											
Unquoted:											
Commex Sri Lanka S.R.L. (*)		100		-	-	-	-	370,633	327,855	370,633	327,855
(incorporated in Italy)											
(300,000 Ordinary Shares)											
(300,000 Ordinary Shares as at December 31, 2022)											
Commercial Bank of Maldives Private Limited		55		-	-	-	-	984,707	984,707	984,707	984,707
(104,500 Ordinary Shares)											
(104,500 Ordinary Shares as at December 31, 2022)											
CBC Myanmar Microfinance Co. Limited		100		-	-	-	-	391,478	391,478	391,478	391,478
(2,420,000 Ordinary Shares)											
(2,420,000 Ordinary Shares as at December 31, 2022)											
Gross total				-	-	-	-	6,179,062	7,081,986	6,179,062	6,906,486
Provision for impairment	36.1	335						(370,633)	-	(370,633)	-
Net total				-	-	-	-	5,808,429	7,081,986	5,808,429	6,906,486

(*) The company is under voluntary liquidation and the liquidation is nearing completion.

36.1 Movement in provision for impairment o/a subsidiaries during the year

				GROUP		BANK		
Note	Page No.			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	
Balance as at January 01,				-	-	370,633	370,633	
Charge/(write back) to the Income Statement	18			-	-	-	-	
Balance as at December 31,				-	-	370,633	370,633	

The maturity analysis of investment in subsidiaries is given in Note 60 on pages 380 and 381.

37 Investment in associate

ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on “Investments in Associates and Joint Ventures”. The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group’s share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the Accounting Policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Accordingly, under the Equity Method, investments in associates are carried at cost plus post-acquisition changes in the Group’s share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement

reflects the Group’s share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments

in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss under “Share of Profit/(loss) of Associate” in the Income Statement.

In the separate Financial Statements, Investments in associates are accounted at cost.

As at December 31,

	Incorporation and operation	Ownership interest %	Number of shares	2023		2022	
				Cost Rs. '000	Carrying value Rs. '000	Cost Rs. '000	Carrying value Rs. '000
Equity Investments Lanka Ltd.	Sri Lanka	22.92	4,110,938	44,331	59,004	44,331	55,302
				44,331	59,004	44,331	55,302

37.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Consolidated Financial Statements is as follows:

	Note	Page No.	Equity Investments Lanka Ltd.	
			2023 Rs. '000	2022 Rs. '000
Cost of investments			44,331	44,331
Add: Share of profit applicable to the Group				
Investment in associate – As at January 01,			10,971	16,097
Total comprehensive income	37.2 (a)	337	3,702	(5,126)
Share of profit/(loss) of associate, net of tax			3,495	(3,727)
Share of other comprehensive Income/(expense) of associate, net of tax			207	(1,399)
Dividend received			–	–
Balance as at December 31,			59,004	55,302

37.2 Summarised financial information in respect of the associate is set out below:**37.2 (a) Summarised Income Statement**

For the year ended December 31,	Equity Investments Lanka Ltd.	
	2023 Rs. '000	2022 Rs. '000
Revenue	55,198	24,697
Expenses	(39,948)	(40,960)
Income tax	–	–
Profit/(loss) from continuing operations, net of tax	15,250	(16,263)
Group's share of profit/(loss) from continuing operations, net of tax	3,495	(3,727)
Other Comprehensive Income/(expense), net of tax	905	(6,105)
Group's share of Other Comprehensive Income/(expense) from continuing operations, net of tax	207	(1,399)
Share of results of equity accounted investee recognised in Income Statement and Statement of Profit or Loss and Other Comprehensive Income	3,702	(5,126)

37.2 (b) Summarised Statement of Financial Position

As at December 31,	Equity Investments Lanka Ltd.	
	2023 Rs. '000	2022 Rs. '000
Non-current assets	242,540	241,776
Current assets	23,451	27,688
Non-current liabilities	(3,223)	(2,740)
Current liabilities	(5,335)	(25,440)
Net assets	257,433	241,284
Group's share of net assets	59,004	55,302
Carrying amount of interest in associate	59,004	55,302

The Group recognises the share of net assets of the associate under the Equity Method to arrive at the Directors' valuation.

The maturity analysis of investment in associate is given in Note 60 on pages 380 and 381.

38 Property, plant and equipment and right-of-use assets**ACCOUNTING POLICY**

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on "Property, plant and equipment" in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing) as explained below. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

- Cost model**

The Group applies the Cost Model to all property, plant and equipment except freehold land and freehold and leasehold buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

• Revaluation model

The Group applies the revaluation model for the entire class of freehold land, freehold and leasehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land, freehold and leasehold buildings of the Group are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income only to the extent of the amounts written down previously. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. 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.

The Group revalued its freehold land, freehold and leasehold buildings as at December 31, 2023. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value are given in Note 38.5 (b) and Note 38.5 (c).

The Bank carried out a revaluation of its freehold land, freehold and leasehold buildings as at December 31, 2023 as required by Section 7.1 (b) of the Direction No. 01 of 2014 on "Valuation of Immovable Property of Licensed Commercial Banks" issued by the CBSL and recognised the revaluation gains/(losses) in the Financial Statements.

The next revaluation exercise on the freehold land, freehold and leasehold buildings will be carried out on or before December 31, 2026.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected

from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in "Net other operating income" in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on "Property, plant and equipment".

Capital work-in-progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management (i.e., available for use).

Right-of-use assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position.

38.1 Group – 2023

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Cost/valuation												
Balance as at January 01,			9,387,336	6,697,277	1,179,686	9,830,666	659,931	8,474,977	167,285	10,804,917	47,202,075	41,078,725
Additions/transfers during the year			94,183	30,756	–	1,521,455	5,549	1,049,062	125,117	660,349	3,486,471	4,748,991
Transfer of accumulated depreciation on assets revalued			–	(791,779)	(103,820)	–	–	–	–	–	(895,599)	–
Surplus on revaluation of property			1,080,520	487,895	302,760	–	–	–	–	–	1,871,175	–
Revaluation loss in excess of cumulative reserve	21	311	(11,184)	(29,089)	–	–	–	–	–	–	(40,273)	–
Disposals during the year			(9,966)	–	–	(176,679)	(26,994)	(120,795)	–	–	(334,434)	(281,155)
Exchange rate variance			–	–	–	(97,316)	(28,334)	(179,779)	–	(310,299)	(615,728)	1,656,960
Transfers/adjustments			–	77,970	–	(8)	–	(20,483)	(100,919)	–	(43,440)	(1,446)
Balance as at December 31,			10,540,889	6,473,030	1,378,626	11,078,118	610,152	9,202,982	191,483	11,154,967	50,630,247	47,202,075

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Accumulated depreciation and impairment losses												
Balance as at January 01,			-	526,694	95,682	6,629,984	502,392	7,058,867	-	4,941,849	19,755,468	16,334,091
Charge for the year	20	310	-	265,085	39,099	1,093,048	57,520	556,036	-	1,360,457	3,371,245	3,131,250
Impairment loss			-	-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	(791,779)	(103,820)	-	-	-	-	-	(895,599)	-
Disposals during the year			-	-	-	(175,846)	(26,836)	(119,579)	-	-	(322,261)	(253,417)
Exchange rate variance			-	-	-	(77,063)	(26,294)	(160,602)	-	-	(263,959)	543,541
Transfers/adjustments			-	-	-	(38)	-	(11,855)	-	-	(11,893)	3
Balance as at December 31,			-	-	30,961	7,470,085	506,782	7,322,867	-	6,302,306	21,633,001	19,755,468
Net book value as at December 31, 2023			10,540,889	6,473,030	1,347,665	3,608,033	103,370	1,880,115	191,483	4,852,661	28,997,246	-
Net book value as at December 31, 2022			9,387,336	6,170,583	1,084,004	3,200,682	157,539	1,416,110	167,285	5,863,068	-	27,446,607

38.2 Group – 2022

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2022 Rs. '000	Total 2021 Rs. '000
Cost/valuation												
Balance as at January 01,			9,387,336	6,680,805	1,179,686	7,344,119	548,928	7,451,982	69,719	8,416,150	41,078,725	38,993,957
Additions/transfers during the year			-	16,472	-	2,474,259	121,315	660,727	97,566	1,378,652	4,748,991	2,188,054
Transfer of accumulated depreciation on assets revalued			-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property			-	-	-	-	-	-	-	-	-	-
Revaluation loss in excess of cumulative reserve	21	311	-	-	-	-	-	-	-	-	-	-
Disposals during the year			-	-	-	(174,790)	(71,936)	(34,429)	-	-	(281,155)	(244,889)
Exchange rate variance			-	-	-	187,133	61,624	398,088	-	1,010,115	1,656,960	144,327
Transfers/adjustments			-	-	-	(55)	-	(1,391)	-	-	(1,446)	(2,724)
Balance as at December 31,			9,387,336	6,697,277	1,179,686	9,830,666	659,931	8,474,977	167,285	10,804,917	47,202,075	41,078,725

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2022 Rs. '000	Total 2021 Rs. '000
Accumulated depreciation and impairment losses												
Balance as at January 01,			–	262,670	58,836	5,857,533	430,444	6,211,352	–	3,513,256	16,334,091	13,607,327
Charge for the year	20	310	–	264,024	36,846	799,521	66,741	535,525	–	1,428,593	3,131,250	2,903,408
Impairment loss			–	–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–	–
Disposals during the year			–	–	–	(174,026)	(45,666)	(33,725)	–	–	(253,417)	(217,004)
Exchange rate variance			–	–	–	146,956	50,873	345,712	–	–	543,541	40,441
Transfers/adjustments			–	–	–	–	–	3	–	–	3	(81)
Balance as at December 31,			–	526,694	95,682	6,629,984	502,392	7,058,867	–	4,941,849	19,755,468	16,334,091
Net book value as at December 31, 2022			9,387,336	6,170,583	1,084,004	3,200,682	157,539	1,416,110	167,285	5,863,068	27,446,607	–
Net book value as at December 31, 2021			9,387,336	6,418,135	1,120,850	1,486,586	118,484	1,240,630	69,719	4,902,894	–	24,744,634

The carrying amount of Group's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2023			2022		
	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000
Class of asset						
Freehold land	1,216,623	–	1,216,623	1,122,440	–	1,122,440
Freehold buildings	2,629,034	728,859	1,900,175	2,520,308	665,097	1,855,211
Leasehold buildings	341,196	326,806	14,390	341,196	322,051	19,145
Total	4,186,853	1,055,665	3,131,188	3,983,944	987,148	2,996,796

38.3 Bank – 2023

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Cost/valuation												
Balance as at January 01,			8,774,704	6,502,620	100,037	9,633,237	249,866	8,098,224	109,307	11,365,454	44,833,449	39,130,126
Additions/transfers during the year			94,183	28,079	–	1,450,410	4,083	874,946	125,117	687,976	3,264,794	4,566,388
Transfer of accumulated depreciation on assets revalued			–	(773,092)	–	–	–	–	–	–	(773,092)	–
Surplus on revaluation of property			1,003,733	442,226	–	–	–	–	–	–	1,445,959	–
Revaluation loss in excess of cumulative reserve	21	311	(11,184)	(29,089)	–	–	–	–	–	–	(40,273)	–
Disposals during the year			(9,966)	–	–	(175,335)	–	(119,245)	–	–	(304,546)	(211,915)
Exchange rate variance			–	–	–	(88,282)	(27,893)	(150,471)	–	(425,612)	(692,258)	1,350,296
Transfers/adjustments			–	47,227	–	–	–	(19,705)	(47,227)	–	(19,705)	(1,446)
Balance as at December 31,			9,851,470	6,217,971	100,037	10,820,030	226,056	8,683,749	187,197	11,627,818	47,714,328	44,833,449

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Accumulated depreciation and impairment losses												
Balance as at January 01,			-	513,842	28,031	6,505,517	233,915	6,760,679	-	5,366,013	19,407,997	16,054,659
Charge for the year	20	310	-	259,250	2,930	1,065,250	11,031	525,742	-	1,491,714	3,355,917	3,142,819
Impairment loss			-	-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	(773,092)	-	-	-	-	-	-	(773,092)	-
Disposals during the year			-	-	-	(174,592)	-	(118,029)	-	-	(292,621)	(210,651)
Exchange rate variance			-	-	-	(69,611)	(26,098)	(135,143)	-	-	(230,852)	421,167
Transfers/adjustments			-	-	-	-	-	(10,923)	-	-	(10,923)	3
Balance as at December 31,			-	-	30,961	7,326,564	218,848	7,022,326	-	6,857,727	21,456,426	19,407,997
Net book value as at December 31, 2023			9,851,470	6,217,971	69,076	3,493,466	7,208	1,661,423	187,197	4,770,091	26,257,902	-
Net book value as at December 31, 2022			8,774,704	5,988,778	72,006	3,127,720	15,951	1,337,545	109,307	5,999,441	-	25,425,452

38.4 Bank – 2022

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2022 Rs. '000	Total 2021 Rs. '000
Cost/valuation												
Balance as at January 01,			8,774,704	6,489,618	100,037	7,210,989	207,085	7,211,576	43,378	9,092,739	39,130,126	36,510,627
Additions/transfers during the year			-	13,002	-	2,440,880	605	624,176	65,929	1,421,796	4,566,388	2,692,999
Transfer of accumulated depreciation on assets revalued			-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property			-	-	-	-	-	-	-	-	-	-
Revaluation loss in excess of cumulative reserve	21	311	-	-	-	-	-	-	-	-	-	-
Disposals during the year			-	-	-	(173,362)	(17,726)	(20,827)	-	-	(211,915)	(199,990)
Exchange rate variance			-	-	-	154,785	59,902	284,690	-	850,919	1,350,296	129,214
Transfers/adjustments			-	-	-	(55)	-	(1,391)	-	-	(1,446)	(2,724)
Balance as at December 31,			8,774,704	6,502,620	100,037	9,633,237	249,866	8,098,224	109,307	11,365,454	44,833,449	39,130,126
Accumulated depreciation and impairment losses												
Balance as at January 01,			-	255,340	25,097	5,777,484	178,201	6,025,694	-	3,792,843	16,054,659	13,298,233
Charge for the year	20	310	-	258,502	2,934	780,204	23,044	504,965	-	1,573,170	3,142,819	2,909,666
Impairment loss			-	-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	-	-	-	-	-	-	-	-	-
Disposals during the year			-	-	-	(172,735)	(17,726)	(20,190)	-	-	(210,651)	(190,819)
Exchange rate variance			-	-	-	120,564	50,396	250,207	-	-	421,167	37,660
Transfers/adjustments			-	-	-	-	-	3	-	-	3	(81)
Balance as at December 31,			-	513,842	28,031	6,505,517	233,915	6,760,679	-	5,366,013	19,407,997	16,054,659
Net book value as at December 31, 2022			8,774,704	5,988,778	72,006	3,127,720	15,951	1,337,545	109,307	5,999,441	25,425,452	-
Net book value as at December 31, 2021			8,774,704	6,234,278	74,940	1,433,505	28,884	1,185,882	43,378	5,299,896	-	23,075,467

The carrying amount of Bank's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2023			2022		
	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000
Class of asset						
Freehold land	1,052,755	–	1,052,755	958,572	–	958,572
Freehold buildings	2,536,623	711,437	1,825,186	2,461,317	649,986	1,811,331
Leasehold buildings	98,138	83,748	14,390	98,138	78,993	19,145
Total	3,687,516	795,185	2,892,331	3,518,027	728,979	2,789,048

The maturity analysis of property, plant and equipment is given in Note 60 on pages 380 and 381.

38.5 (a) Information on freehold land and buildings of the Bank and the Group – Extents and locations

[As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange]

Location	Number of buildings	Extent (perches)	Buildings (square feet)	Revalued amounts land Rs. '000	Revalued amounts buildings Rs. '000	Total revalued amount Rs. '000	Net book value before revaluation Rs. '000
Holiday Bungalow – Bandarawela, Ambatenne Estate, Diyatalawa Road, Bandarawela	1	423	5,649	98,700	18,800	117,500	106,974
Holiday Bungalow – Haputale, No. 23, Lily Avenue, Welimada Road, Haputale	1	258	5,722	56,700	25,300	82,000	72,140
Managing Director's Bungalow, No. 27, Queens Road, Colombo 3	1	64	5,616	1,249,950	40,050	1,290,000	1,185,000
Branch Buildings							
Battaramulla – No. 213, Kaduwela Road, Battaramulla	1	14	19,084	52,500	98,526	151,026	126,769
Battaramulla – No. 213, Kaduwela Road, Battaramulla	–	13	Bare Land	49,950	–	49,950	50,000
Borella – No. 92, D S Senanayake Mawatha, Borella, Colombo 08	1	16	21,100	312,600	241,400	554,000	466,070
Chilaw – No. 44, Colombo Road, Chilaw	1	35	9,420	123,515	51,485	175,000	149,572
City Office – No. 98, York Street, Colombo 01	1	–	29,993	–	453,196	453,196	521,739
Duplication Road – Nos. 405, 407, R A De Mel Mawatha, Colombo 03	1	20	6,169	209,000	21,000	230,000	388,789
Galewela – No. 49/57, Matale Road, Galewela	1	99	5,947	49,500	28,500	78,000	55,233
Galle Main Street – No. 130, Main Street, Galle	1	7	3,675	67,500	12,800	80,300	68,979
Galle Fort – No. 22, Church Street, Fort, Galle	1	40	15,103	282,150	128,350	410,500	358,619
Gampaha – No. 51, Queen Mary's Road, Gampaha	1	33	4,775	118,440	11,560	130,000	114,221
Hikkaduwa – No. 217, Galle Road, Hikkaduwa	1	37	7,518	48,300	44,300	92,600	72,936
Ja-Ela – No. 140, Negombo Road, Ja-Ela	1	13	7,468	48,000	42,000	90,000	70,188
Jaffna – No. 474, Hospital Road, Jaffna	1	78	52,035	566,588	756,412	1,323,000	901,811
Kandy – No. 120, Kotugodella Veediya, Kandy	1	45	44,500	507,000	303,000	810,000	763,857
Karapitiya – No. 89, Hirimbura Cross Road, Karapitiya	1	37	4,266	82,935	29,865	112,800	91,462
Kegalle – No. 186, Main Street, Kegalle	1	85	2,650	174,000	6,336	180,336	178,836
Keyzer Street – No. 32, Keyzer Street, Colombo 11	1	7	6,100	123,000	29,000	152,000	129,909
Kollupitiya – No. 285, Galle Road, Colombo 03	1	17	16,254	335,000	90,000	425,000	362,319
Kotahena – No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	1	28	29,544	362,000	208,000	570,000	454,750
Kurunegala – No. 4, Suratissa Mawatha, Kurunegala	1	50	10,096	266,000	54,000	320,000	296,804
Maharagama – No. 154, High Level Road, Maharagama	1	16	8,046	131,360	68,400	199,760	180,898
Matale – No. 70, King Street, Matale	1	51	8,596	210,600	64,400	275,000	259,500
Matara – No. 18, Station Road, Matara	1	38	8,137	78,850	48,250	127,100	97,409
Minuwangoda – No. 9, Siriwardena Mawatha, Minuwangoda	1	25	5,550	80,000	22,000	102,000	84,362
Narahenpita – No. 201, Kirula Road, Narahenpita, Colombo 05	1	22	11,193	332,000	118,000	450,000	381,318

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Gampaha No. 51, Queen Mary's Road, Gampaha	Investment method		105,280	8,941	118,440	11,560	13,160	2,619
	• Price per perch for excess land	Rs. 3,600,000 p.p.						
	• Gross monthly rental	Rs. 500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Managing Director's Bungalow No.27, Queens Road, Colombo 03	Market comparable method		1,150,000	35,000	1,249,950	40,050	99,950	5,050
	• Price per perch for land	Rs. 19,500,000 p.p.						
	• Price per square foot for building	Rs. 7,500 p.sq.ft. to Rs. 12,000 p.sq.ft.						
	• Depreciation rate	35%						
Minuwangoda No. 9, Siriwardena Mawatha, Minuwangoda	Investment method		71,250	13,112	80,000	22,000	8,750	8,888
	• Price per perch for Excess land	Rs.3,200,000 p.p.						
	• Gross monthly rental	Rs. 475,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Panchikawatte No.240, Panchikawatte Road, Colombo 10	Investment method		94,183	3,282	126,450	18,550	32,267	15,268
	• Gross monthly rental	Rs. 600,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	20						
Peliyagoda Warehouse No. 37, New Nuge Road, Peliyagoda	Investment method		-	98,600	-	116,035	-	17,435
	• Gross monthly rental	Rs. 2,672,531.08 p.m.						
	• Years purchase (Present value of 1 unit per period)	15.07						
P B Kalugalagedara Keyzer Street No. 32, Keyzer Street, Colombo 11	Investment method		109,000	20,909	123,000	29,000	14,000	8,091
	• Gross monthly rental	Rs. 1,070,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Kollupitiya No. 285, Galle Road, Colombo 03	Investment method		299,000	63,319	335,000	90,000	36,000	26,681
	• Gross monthly rental	Rs. 3,000,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Kotahena No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	Investment method		279,000	175,750	362,000	208,000	83,000	32,250
	• Gross monthly rental	Rs. 3,306,000 p.m.						
	• Years purchase (present value of 1 unit per period)	18.18						
R S Wijesuriya Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		52,500	74,269	52,500	98,526	-	24,257
	• Price per perch for land	Rs. 3,750,000 p.p.						
	• Price per square foot for building	Rs. 1,500 p.sq.ft. to Rs. 7,500 p.sq.ft.						
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		50,000	-	49,950	-	-	-
	• Price per perch for land	Rs. 3,750,000 p.p.						
Panadura No. 375, Galle Road, Panadura	Market comparable method		30,750	34,078	30,750	40,092	-	6,014
	• Price per perch for land	Rs. 2,500,000 p.p.						
	• Price per square foot for building	Rs. 6,500 p.sq.ft.						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Sarath G Fernando								
Holiday Bungalow – Bandarawela Ambatenne Estate, Diyatalawa Road, Bandarawela	Market comparable method		90,800	16,174	98,700	18,800	7,900	2,626
	• Price per perch for land	Rs. 100,000 to Rs. 295,000 p.p.						
	• Price per square foot for building	Rs. 6,250 to Rs. 6,750 p.sq.ft.						
	• Depreciation rate	50%						
Holiday Bungalow – Haputale No. 23, Lilly Avenue, Welimada Road, Haputale	Market comparable method		51,400	20,740	56,700	25,300	5,300	4,560
	• Price per perch for land	Rs. 275,000 p.p.						
	• Price per square foot for building	Rs.4,250 to Rs.8,500 p.sq.ft.						
	• Depreciation rate	45% & 50%						
Kandy No. 120, Kotugodella Veediya, Kandy	Investment method		521,000	242,857	507,000	303,000	(14,000)	60,143
	• Gross monthly rental	Rs. 5,000,000 p.m.						
	• Years purchase (present value of 1 unit per period)	18						
Kegalle No. 186, Main Street, Kegalle	Investment method		172,500	6,336	174,000	6,336	1,500	–
	• Gross Monthly Rental	Rs. 1,500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	20						
Matale No. 70, Kings Street, Matale	Investment method		201,000	58,500	210,600	64,400	9,600	5,900
	• Gross Monthly Rental	Rs. 1,500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18						
Nuwara Eliya No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	Investment method		187,000	69,120	191,000	74,000	4,000	4,880
	• Gross Monthly Rental	Rs. 1,447,500 p.m.						
	• Years purchase (Present value of 1 unit per period)	18						
Sunil Fernando Associates Pvt Ltd.								
Galle Fort No. 22, Church Street, Fort, Galle	Market comparable method		262,015	96,604	282,150	128,350	20,135	29,110
	• Price per perch for land	Rs. 7,000,000 p.p.						
	• Price per square foot for building	Rs. 8,500 p.sq.ft.						
Galle Main Street No.130, Main Street, Galle	Market comparable method		60,750	8,229	67,500	12,800	6,750	4,571
	• Price per perch for land	Rs. 10,000,000 p.p.						
	• Price per square foot for building	Rs. 2,500 to Rs. 4,500 p.sq.ft.						
Hikkaduwa No. 217, Galle Road, Hikkaduwa	Market comparable method		43,470	29,466	48,300	44,300	4,830	14,834
	• Price per perch for land	Rs. 1,000,000 to Rs. 1,500,000 p.p.						
	• Price per square foot for building	Rs. 4,500 to Rs. 6,500 p.sq.ft.						
Karapitiya No. 89, Hirimbura Cross Road, Karapitiya	Market comparable method		73,720	17,742	82,935	29,865	–	12,123
	• Price per perch for land	Rs. 2,250,000 p.p.						
	• Price per square foot for building	Rs. 7,000 p.sq.ft.						
Maharagama No. 154, High Level Road, Maharagama	Market comparable method		123,034	57,864	131,360	68,400	8,326	10,536
	• Price per perch for land	Rs. 8,000,000 p.p.						
	• Price per square foot for building	Rs. 8,500 p.sq.ft.						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Matara No. 18, Station Road, Matara	Market comparable method		69,465	27,944	78,850	48,250	9,385	20,306
	• Price per perch for land	Rs. 1,500,000 to Rs. 2,500,000 p.p.						
	• Price per square foot for building	Rs. 4,500 to Rs. 6,500 p.sq.ft.						
Nugegoda No. 100, Stanley Thilakarathne Mawatha, Nugegoda	Market comparable method		485,000	99,318	507,000	57,800	22,000	(41,518)
	• Price per perch for land	Rs. 13,000,000 p.p.						
	• Price per square foot for building	Rs. 8,000 p.sq.ft.						
Trincomalee No. 420, Courts Road, Trincomalee	Market comparable method		125,424	150,835	145,492	102,504	20,068	–
	• Price per perch for land	Rs. 1,450,000 p.p.						
	• Price per square foot for building	Rs. 5,500 p.sq.ft. to Rs. 10,000 p.sq.ft.						
Wellawatte No. 343, Galle Road, Colombo 6	Market comparable method		818,000	1,140,024	863,000	867,700	45,000	(272,324)
	• Price per perch for land	Rs. 19,000,000 p.p.						
	• Price per square foot for building	Rs. 10,000 p.sq.ft. to Rs. 18,500 p.sq.ft.						
S Suresh								
Jaffna No. 474, Hospital Road, Jaffna	Market comparable method		429,825	471,986	566,588	756,412	136,763	284,426
	• Price per perch for land	Rs. 7,250,000 p.p.						
	• Price per square foot for building	Rs. 14,500 p.sq.ft. to Rs. 14,550 p.sq.ft.						
W D P Rupananda								
Duplication Road Nos. 405, 407, R A De Mel Mawatha, Colombo 03.	Investment method		370,000	18,789	209,000	21,000	(140,651)	2,211
	• Gross monthly rental	Rs. 1,400,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Ja-Ela No. 140, Negombo Road, Ja-Ela	Investment method		43,000	27,188	48,000	42,000	5,000	14,812
	• Gross monthly rental	Rs. 550,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Narahenpita No.201, Kirula Road, Narahenpita, Colombo 05	Market comparable method		263,000	118,318	332,000	118,000	69,000	(318)
	• Price per perch for land	Rs. 15,000,000 p.p.						
	• Price per square foot for building	Rs. 15,000 p.sq.ft.						
	• Depreciation rate	30%						
Negombo Nos. 24, 26, Fernando Avenue, Negombo	Investment method		167,000	33,682	180,000	58,000	13,000	24,318
	• Gross monthly rental	Rs. 1,300,000 p.m.						
	• Gross Monthly Rental Quarters	Rs.100,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18 & 28.57						
Pettah No. 180/1/24, People's Park Shopping Complex, Colombo 11	Investment method		–	69,091	–	98,000	–	28,909
	• Gross monthly rental	Rs. 675,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Pettah-Main Street No. 280, Main Street, Pettah, Colombo 11	Investment method		530,000	276,415	580,000	295,000	50,000	18,585
	• Gross monthly rental	Rs. 5,400,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Pettah-Stores No. 180/1/24, People's Park Shopping Complex, Colombo 11	Investment method		–	5,617	–	9,000	–	3,383
	• Gross monthly rental	Rs. 70,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	16.67						
Union Place No.1, Union Place, Colombo 02	Investment method		720,000	1,286,957	1,046,500	1,325,500	326,500	38,543
	• Gross monthly rental	Rs. 14,500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Wennappuwa Nos. 262, 264, Colombo Road, Wennappuwa	Investment method		81,000	30,222	83,000	48,000	2,000	17,778
	• Gross monthly rental Branch	Rs. 650,000 p.m.						
	• Gross monthly rental Quarters	Rs.100,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
W S Pamaratne								
Galewela No. 49/57, Matale Road, Galewela	Market comparable method		39,600	15,633	49,500	28,500	9,900	12,867
	• Price per perch for land	Rs. 500,000 p.p.						
	• Price per square foot for building	Rs. 3,000 to Rs. 7,000 p.sq.ft.						
	• Depreciation rate	20% and 30%						
Kurunegala No. 4, Suratissa Mawatha, Kurunegala	Investment method		257,390	39,414	266,000	54,000	8,610	14,586
	• Price per perch for excess land	Rs. 4,250,000 p.p.						
	• Gross monthly rental	Rs. 1,000,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	23.53						
Narammala No. 55, Negombo Road, Narammala	Investment method		71,872	65,821	82,140	92,860	10,268	27,039
	• Price per perch for excess land	Rs.1,000,000 p.p.						
	• Gross monthly rental	Rs. 650,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	23.53						
Total – Bank			8,858,921	5,804,834	9,851,470	6,217,971	1,003,733	442,226
Subsidiaries								
Commercial Development Company PLC								
G M Gamage Tangalle No. 48, Matara Road, Tangalle	Investment method		80,000	24,474	97,519	26,309	17,519	1,835
	• Gross monthly rental	Rs. 350,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	16.66						
	• Void period	N/A						
G H A P K Fernando Negombo No. 18, Fernando Avenue, Negombo	Market comparable method		93,902	–	105,000	–	11,098	–
	• Price per perch for land	Rs. 5,670,000 p.p.						
Commercial Insurance Brokers (Private) Limited								
G J Sumanasena Colombo No. 347, Dr Colvin R De Silva Mawatha, Colombo 02	Market comparable method		355,000	46,215	394,000	72,050	39,000	25,835
	• Price per perch for land	Rs. 20,500,000 p.p.						
	• Price per square foot for building	Rs. 10,500 p.sq.ft.						
	• Depreciation rate	30%						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
CBC Finance Limited								
Sarath G. Fernando Kandy No. 182, Katugastota Road, Kandy	Market comparable method		18,100	31,974	21,300	29,700	3,200	(2,274)
	● Price per perch for land	Rs. 6,500,000 p.p.						
	● Price per square foot for building	Rs. 10,000 p.sq.ft.						
	● Depreciation rate	20%						
Kandy No. 187, Katugastota Road, Kandy	Market comparable method		65,630	106,727	71,600	127,000	5,970	20,273
	● Price per perch for land	Rs. 6,000,000 p.p.						
	● Price per square foot for building	Rs. 13,700 p.sq.ft.						
	● Depreciation rate	15%						
Total – Group			9,471,553	6,014,224	10,540,889	6,473,030	1,080,520	487,895

p.p. – per perch

p.sq.ft. – per square foot

p.m. – per month

p.a. – per annum

38.5 (c) Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Bank and Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	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 increase/(decrease) if; – Price per perch for land would increase/(decrease) – Price per square foot for building would increase/(decrease) – Depreciation rate for building would (decrease)/increase
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 purchase (Present value of 1 unit per period) Void period	Estimated fair value would increase/(decrease) if; – Gross Annual Rentals would increase/(decrease) – Years purchase would increase/(decrease) – Void period would decrease/(increase)

38.6 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Group/Bank as at the reporting date.

38.7 Property, plant and equipment pledged as security for liabilities – Bank

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

38.8 Compensation from third parties for items of property, plant and equipment – Bank

The compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up at the reporting date of the Bank is as follows:

As at December 31,	2023 Rs. '000	2022 Rs. '000
Total claims lodged	17,926	18,457
Total claims received	(14,486)	(10,916)
Total claims rejected	–	(2,672)
Total claims receivable	3,440	4,869

38.9 Fully-depreciated property, plant and equipment – Bank

The cost of fully-depreciated property, plant and equipment of the Bank which are still in use is as follows:

As at December 31,	2023 Rs. '000	2022 Rs. '000
Computer equipment	4,023,296	3,238,596
Office equipment, furniture and fixtures	4,681,903	4,220,455
Motor vehicles	92,852	68,414

38.10 Temporarily idle property, plant and equipment – Bank

Following property, plant and equipment of the Bank were temporarily idle (until the assets are issued to the business units):

As at December 31,	2023 Rs. '000	2022 Rs. '000
Computer equipment	574,737	190,926
Office equipment, furniture and fixtures	219,744	224,499

38.11 Property, plant and equipment retired from active use – Bank

Following property, plant and equipment of the Bank were retired from active use:

As at December 31,		2023 Rs. '000	2022 Rs. '000
Computer equipment	Cost	531,529	530,971
	Depreciation	516,491	521,973
	NBV	15,038	8,998
Office equipment, furniture and fixtures	Cost	211,090	214,539
	Depreciation	204,980	212,184
	NBV	6,110	2,355

38.12 Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023 (2022 – Nil).

39 Investment properties**ACCOUNTING POLICY**

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both.

An 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.

The Group recognises the investment properties at its fair value.

When a portion of the property is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purposes, the Group accounts for the portions separately if these portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the entire property is treated as investment property, only if an insignificant portion is held for use in the production or supply

of goods or services or for administrative purposes.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the net other operating income.

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost/valuation						
Balance as at January 01,			80,350	72,400	–	–
Additions resulting from acquisitions			498,545	–	–	–
Subsequent additions during the year			–	–	–	–
Fair value gains	17	306	18,930	7,950	–	–
Balance as at December 31,			597,825	80,350	–	–

The maturity analysis of investment properties is given in Note 60 on pages 380 and 381.

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2023 (2022 – Nil).

39.1 (a) Information on investment properties of the Group – Extents and Locations

[As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange]

Location	Number of buildings	Extent (Perches)	Buildings (Square feet)	Fair value of the investment property – Land Rs. '000	Fair value of the investment property – Building Rs. '000	Carrying value of the investment property before fair valuation – Land Rs. '000	Carrying value of the investment property before fair valuation – Building Rs. '000
Commercial Insurance Brokers Private Ltd.							
No. 347, Dr Colvin R De Silva Mawatha, Colombo 02, Sri Lanka	1	–	8,616	–	58,950	–	54,000
C B C Finance Ltd							
Lot – 04, Plan No. 1652, Bulumulla, Kiribathkumbura	–	19	Bare Land	6,350	–	6,075	–
Lot – 01, Plan No. 1366, Boyagama, Pilimathalawa	–	312	Bare Land	21,850	–	20,275	–
Lot 8247, Plan No: 7790 C, Suranimala Place, Pamankada, Thimbirigasyaya	1	–	4,890	–	109,000	–	109,000
Lots 5112 and 5113, Plan No: 224, No 122/37, High level road, Kirulapone	–	23	Bare Land	144,000	–	137,000	–
Lots 01, Plan No: 1073, Yatiwawala, Kulugammana, Kandy	–	262	Bare Land	98,250	–	98,200	–
Lot 01, Plan No: 496, Polwatta, Mawanella	1	99	12,550	7,387	21,613	7,000	19,500
Lot 02, Plan No: 2648, Ballapana Pathabage, Galigamuwa	–	105	Bare Land	94,800	–	94,800	–
Lot 02, Plan No: 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy	–	12	Bare Land	7,200	–	6,000	–
Lot 01, Plan No: 869B, Embilmeegama, Pilimathalawa	1	28	1,740	7,000	5,225	9,100	3,245
Lot No B, Plan No: 1085, No 30, Akkarahena Road, Thiranagama, Hikkaduwa	1	49	1,080	15,925	275	14,700	–
Total	5			402,762	195,063	393,150	185,745

39.1 (b) Information on investment properties of the Group – Valuations

[As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange]

Date of valuation: December 31, 2023

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Carrying value of the investment property before fair valuation		Fair value of the investment property		Fair value gains/(losses) recognised in Income Statement	
			Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Commercial Insurance Brokers Private Ltd.								
G J Sumanasena No. 347, Dr Colvin R De Silva Mawatha, Colombo 02, Sri Lanka	Market comparable method • Price per square foot for building • Depreciation rate	Rs. 10,500 p.sq.ft. 30%	–	54,000	–	58,950	–	4,950
C B C Finance Ltd.								
K M U Dissanayake Lot – 04, Plan No. 1652, Bulumulla, Kiribathkumbura	Market comparable method • Price per perch for land	Rs. 340,000 p.p.	6,075	–	6,350	–	275	–
Lot – 01, Plan No. 1366, Boyagama, Pilimathalawa	Market comparable method • Price per perch for land	Rs. 65,000 p.p.	20,275	–	21,850	–	1,575	–
Lot 01, Plan No. 869B, Embilmeegama, Pilimathalawa	Market comparable method • Price per perch for land	Rs. 250,000 p.p.	9,100	3,245	7,000	5,225	(2,100)	1,980
	• Price per square foot for building	Rs. 3,000 p.sq.ft.						
	• Depreciation rate	N/A						
L Dasanayake Lot 8247, Plan No: 7790 C, Suranimala Place, Pamankada, Thimbirigasyaya	Investment method • Gross monthly rental	Rs. 162,000 p.m.	–	109,000	–	109,000	–	–
	• Year purchase (present value of 1 unit per period)	23.52						
Lots 5112 and 5113, Plan No. 224, No 122/37, High level road, Kirulapone	Market comparable method • Price per perch for land	Rs. 6,300,000 p.p.	137,000	–	144,000	–	7,000	–
D K S Premasiri Lot 01, Plan No. 496, Polwatta, Mawanella	Market comparable method • Price per perch for land	Rs. 75,000 p.p.	7,000	19,500	7,387	21,613	387	2,113
	• Price per square foot for building	Rs. 1,700 p.sq.ft.						
	• Depreciation rate	26%						
Lot 02, Plan No. 2648, Ballapana Pathabage, Galigamuwa	Market comparable method • Price per perch for land	Rs. 900,000 p.p.	94,800	–	94,800	–	–	–
Lot 02, Plan No. 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy	Market comparable method • Price per perch for land	Rs. 600,000 p.p.	6,000	–	7,200	–	1,200	–
Sarath G Fernando Lot No B, Plan No. 1085, No 30, Akkarahena Road, Thiranagama, Hikkaduwa	Market comparable method • Price per perch for land	Rs. 325,000 p.p.	14,700	–	15,925	275	1,225	275
	• Price per square foot for building	Rs. 250 p.sq.ft.						
	• Depreciation rate	N/A						
Lots 01, Plan No: 1073, Yatiwawala, Kulugammana, Kandy	Market comparable method • Price per perch for land	Rs. 580,000 p.p.	98,200	–	98,250	–	50	–
Total			393,150	185,745	402,762	195,063	9,612	9,318

p.p. – per perch

p.sq.ft. – per square foot

p.m. – per month

p.a. – per annum

39.1 (c) Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	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 increase/(decrease) if; – Price per perch of land would increase/(decrease) – Price per square foot for building would increase/(decrease) – Depreciation rate for building would (decrease)/increase
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 purchase (Present value of 1 unit per period)	Estimated fair value would increase/(decrease) if; – Gross Annual Rentals would increase/(decrease) – Years purchase would increase/(decrease)

40 Intangible assets

ACCOUNTING POLICY

The Group's intangible assets include the value of acquired goodwill, trademarks, and computer software.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Useful economic lives, amortisation and impairment of finite and

indefinite intangible assets are described below:

• Intangible assets with finite lives and amortisation

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates, which require prospective application. The amortisation expense on intangible assets with finite lives is expensed as incurred.

• Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill

acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

• Computer software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally-developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally-developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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.

• **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.

- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Group does not have development costs capitalised as an internally-generated intangible asset.

As at December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Computer software	40.1	353	3,065,305	1,984,245	2,999,383	1,887,640
Software under development	40.2	353	778,952	1,683,808	737,121	1,675,480
Goodwill arising on business combination			445,147	445,147	–	–
Total			4,289,404	4,113,200	3,736,504	3,563,120

40.1 Computer software

			GROUP		BANK	
	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost/valuation						
Balance as at January 01,			4,912,819	3,224,572	4,444,723	2,926,569
Additions during the year			697,671	1,255,591	683,908	1,248,700
Disposals/write-off during the year			–	(28,185)	–	(28,185)
Exchange rate variance			(92,557)	260,972	(46,246)	97,770
Transfers/adjustments			1,370,445	199,869	1,370,445	199,869
Balance as at December 31,			6,888,378	4,912,819	6,452,830	4,444,723
Accumulated amortisation and impairment losses						
Balance as at January 01,			2,928,574	2,311,433	2,557,083	2,107,730
Amortisation for the year	20	310	964,395	467,121	927,649	420,657
Disposals/write-off during the year			–	(28,185)	–	(28,185)
Exchange rate variance			(69,896)	178,205	(31,285)	56,881
Balance as at December 31,			3,823,073	2,928,574	3,453,447	2,557,083
Net book value as at December 31,			3,065,305	1,984,245	2,999,383	1,887,640

40.2 Software under development

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost/valuation				
Balance as at January 01,	1,683,808	914,353	1,675,480	906,025
Additions during the year	445,312	969,324	432,086	969,324
Exchange rate variance	(2,673)	–	–	–
Transfers/adjustments	(1,347,495)	(199,869)	(1,370,445)	(199,869)
Balance as at December 31,	778,952	1,683,808	737,121	1,675,480

There were no restrictions on the title of the intangible assets of the Group as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2023 (2022 – Nil).

The maturity analysis of intangible assets is given in Note 60 on pages 380 and 381.

41 Deferred tax assets and liabilities

ACCOUNTING POLICY

There is no legally enforceable right to set off deferred tax assets against the deferred tax liabilities if it does not relates to the same taxable entity or the same taxation authority.

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Recognised under deferred tax assets	34,511,410	30,727,213	34,076,526	30,301,203
Recognised under deferred tax liabilities	514,207	437,123	–	–
Net deferred tax assets	33,997,203	30,290,090	34,076,526	30,301,203

41.1 Summary of net deferred tax assets

	Note	Page No.	GROUP				BANK			
			2023		2022		2023		2022	
			Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Balance as at January 01,			100,588,000	30,290,090	40,028,584	9,686,999	100,521,816	30,301,203	40,478,929	9,793,129
Impact on origination and reversal of temporary differences to Income Statement	23	312	16,757,653	5,131,760	76,797,217	25,194,892	16,717,703	5,089,842	76,289,763	25,060,854
Impact on origination and reversal of temporary differences to Statement of Profit or Loss and Other Comprehensive Income			(4,280,138)	(1,282,335)	(16,237,801)	(4,747,075)	(3,962,837)	(1,188,851)	(16,246,876)	(4,663,462)
Impact on origination and reversal of temporary differences to Retained Earnings on expired ESOP			(67,870)	(20,361)	–	–	(67,870)	(20,361)	–	–
Exchange rate variance			–	(121,951)	–	155,274	–	(105,307)	–	110,682
Balance as at December 31,			112,997,645	33,997,203	100,588,000	30,290,090	113,208,812	34,076,526	100,521,816	30,301,203

41.2 Reconciliation of net deferred tax assets – Group

As at/For the year ended December 31,	Statement of financial position		Profit or loss		Other comprehensive income	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax assets on:						
Post employment benefit obligation	531,203	565,708	(88,030)	(13,701)	53,525	65,746
Unrealised losses on financial assets measured at fair value through other comprehensive income	(877,287)	(55,294)	–	(419)	(821,993)	(3,894,532)
Provision for impairment charges (*)	39,480,950	34,616,935	4,864,015	25,184,452	–	–
Right-of-use assets	211,786	151,805	59,981	35,219	–	–
Equity-settled share-based payments	29,880	45,159	5,082	9,032	–	–
Hedging reserve	–	(15,666)	–	–	15,666	(33,458)
Brought forward losses	76,774	5,431	71,343	1,935	–	–
Short-term employee benefit obligation	20,396	18,100	2,296	9,235	–	–
	39,473,702	35,332,178	4,914,687	25,225,753	(752,802)	(3,862,244)

As at/For the year ended December 31,	Statement of financial position		Profit or loss		Other comprehensive income	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	699,627	573,878	(125,749)	(181,817)	–	–
Accelerated depreciation for tax purposes – Leased assets	240,220	401,717	161,497	187,537	–	–
Revaluation surplus on freehold buildings	1,846,697	1,687,537	59,374	118,693	(218,534)	(409,039)
Revaluation surplus on freehold land	2,689,955	2,378,956	–	–	(310,999)	(475,792)
Effect of exchange rate variance	–	–	121,951	(155,274)	–	–
	5,476,499	5,042,088	217,073	(30,861)	(529,533)	(884,831)
Deferred tax effect on profit or loss and other comprehensive income for the year			5,131,760	25,194,892	(1,282,335)	(4,747,075)
Net deferred tax asset as at December 31,	33,997,203	30,290,090				

41.3 Reconciliation of net deferred tax assets – Bank

As at/For the year ended December 31,	Statement of financial position		Profit or loss		Other comprehensive income	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax assets on:						
Post employment benefit obligation	480,150	534,188	(102,610)	(21,654)	48,572	66,196
Unrealised losses on financial assets measured at fair value through other comprehensive income	(877,191)	(57,890)	–	–	(819,301)	(3,897,090)
Provision for impairment charges (*)	39,103,794	34,172,020	4,931,774	25,032,179	–	–
Right-of-use assets	208,389	151,684	56,705	36,306	–	–
Equity-settled share-based payments	29,880	45,159	5,082	9,032	–	–
Hedging reserve	–	(15,666)	–	–	15,666	(33,458)
	38,945,022	34,829,495	4,890,951	25,055,863	(755,063)	(3,864,352)
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	614,717	493,795	(120,922)	(166,015)	–	–
Accelerated depreciation for tax purposes – Leased assets	239,251	393,245	153,994	162,418	–	–
Revaluation surplus on freehold buildings	1,364,039	1,290,426	60,512	119,270	(134,125)	(328,945)
Revaluation surplus on freehold land	2,650,489	2,350,826	–	–	(299,663)	(470,165)
Effect of exchange rate variance	–	–	105,307	(110,682)	–	–
	4,868,496	4,528,292	198,891	4,991	(433,788)	(799,110)
Deferred tax effect on profit or loss and other comprehensive income for the year			5,089,842	25,060,854	(1,188,851)	(4,663,462)
Net deferred tax asset as at December 31,	34,076,526	30,301,203				

(*) This includes deferred tax asset amounting to Rs. 24.626 Bn., attributable to a judgmental estimate made on the impairment of SLSBs held by the Bank. (2022 – Rs. 16.333 Bn.)

The maturity analysis of deferred tax assets given in Note 60 on pages 380 and 381.

42 Other assets

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deposits and prepayments	487,668	2,469,198	425,990	2,385,498
Reimbursement under special senior citizen deposit scheme	10,489,228	10,777,882	10,489,228	10,777,882
Reimbursement under special deposit account scheme	419,473	402,622	419,473	402,622
Reimbursement under additional incentive scheme on inward workers' remittances	1,010,190	1,271,362	1,010,190	1,271,362
Reimbursement under transaction cost of worker remittance	582,988	841,745	582,988	841,745
Clearing account balance	10,183,750	7,612,330	10,183,750	7,612,330
Unamortised cost on staff loans (Day 1 difference)	8,675,472	7,802,960	8,675,472	7,802,960
Other accounts	5,887,382	9,633,112	5,687,357	9,604,769
Total	37,736,151	40,811,211	37,474,448	40,699,168

The maturity analysis of other assets is given in Note 60 on pages 380 and 381.

43 Due to banks

ACCOUNTING POLICY

These represent call money borrowings, credit balances in Nostro Accounts and borrowings from banks. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Interest paid/payable on these borrowings is recognised in profit or loss.

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Borrowings	29,309,898	64,934,911	28,635,681	65,093,802
Local currency borrowings	2,772,347	6,149,813	2,209,675	6,008,932
Foreign currency borrowings	26,537,551	58,785,098	26,426,006	59,084,870
Securities sold under repurchase (Repo) agreements (*)	18,638,680	36,259	18,638,680	36,259
Total	47,948,578	64,971,170	47,274,361	65,130,061

(*) Securities sold under repurchase (Repo) agreements are shown on the face of the Statement of Financial Position except for the Repos with banks.

The maturity analysis of due to banks is given in Note 60 on pages 380 and 381.

44 Derivative financial liabilities

ACCOUNTING POLICY

Derivative financial liabilities – Held for trading

Derivative financial liabilities are classified as held for trading. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Derivatives embedded in financial liabilities are treated separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms as embedded derivative would meet the definition of derivative and the host contract is not itself held for trading or designated at fair value through profit or

loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit or loss.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

	GROUP		BANK	
As at December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Derivative financial liabilities – Held for trading				
Foreign currency derivatives	2,276,842	2,371,482	2,276,842	2,371,482
Currency swaps	1,429,366	1,996,458	1,429,366	1,996,458
Forward contracts	838,315	373,965	838,315	373,965
Spot contracts	9,161	1,059	9,161	1,059
Interest rate swaps – LKR	42,367	509,185	42,367	509,185
Total	2,319,209	2,880,667	2,319,209	2,880,667

The maturity analysis of derivative financial liabilities is given in Note 60 on page 380 and 381.

45 Financial liabilities at amortised cost – Due to depositors

ACCOUNTING POLICY

These include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call, and certificates of deposit.

Subsequent to initial recognition deposits are measured at amortised cost using the EIR method, except where the Group designates liabilities at fair value through

profit or loss. Interest paid/payable on these deposits is recognised in "Interest expense" in the Income Statement.

	GROUP		BANK	
As at December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Local currency deposits	1,404,577,982	1,243,534,769	1,399,573,092	1,239,920,997
Current account balances	92,053,878	86,197,384	92,063,554	86,197,776
Savings deposits	435,697,870	362,455,763	435,725,565	362,666,802
Time deposits	876,822,733	794,859,320	871,780,472	791,034,117
Other deposits	3,501	22,302	3,501	22,302
Foreign currency deposits	743,328,876	734,208,892	685,473,057	674,438,497
Current account balances	159,055,408	132,032,767	136,361,340	105,720,231
Savings deposits	166,727,769	191,459,487	153,857,828	179,730,080
Time deposits	417,545,699	410,716,638	395,253,889	388,988,186
Total	2,147,906,858	1,977,743,661	2,085,046,149	1,914,359,494

45.1 Analysis of due to customers/deposits from customers

	GROUP		BANK	
As at December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
(a) By product				
Current account balances	251,109,286	218,230,151	228,424,894	191,918,007
Savings deposits	602,425,639	553,915,250	589,583,393	542,396,882
Time deposits	1,294,368,432	1,205,575,958	1,267,034,361	1,180,022,303
Other deposits	3,501	22,302	3,501	22,302
Total	2,147,906,858	1,977,743,661	2,085,046,149	1,914,359,494

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
(b) By currency				
Sri Lankan Rupee	1,404,535,683	1,243,427,990	1,399,530,793	1,239,814,218
United States Dollar	454,243,693	473,669,803	420,515,552	440,132,617
Great Britain Pound	16,814,212	16,735,916	16,811,421	16,732,861
Euro	14,009,899	14,773,285	13,950,664	14,699,558
Australian Dollar	9,636,783	9,739,962	9,636,783	9,739,962
Bangladesh Taka	221,409,648	190,211,877	221,409,648	190,211,877
Maldivian Rufiyaa	23,998,388	26,095,923	–	–
Other currencies	3,258,552	3,088,905	3,191,288	3,028,401
Total	2,147,906,858	1,977,743,661	2,085,046,149	1,914,359,494
(c) By institution/customers				
Deposits from banks	11,719,617	8,063,822	12,483,346	8,862,972
Deposits from finance companies	18,215,113	5,446,405	17,789,739	5,114,744
Deposits from other customers	2,117,972,128	1,964,233,434	2,054,773,064	1,900,381,778
Total	2,147,906,858	1,977,743,661	2,085,046,149	1,914,359,494

The maturity analysis of financial liabilities at amortised cost – due to depositors is given in Note 60 on pages 380 and 381.

46 Financial liabilities at amortised cost – other borrowings

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Refinance borrowings	12,756,021	12,522,808	12,756,021	12,522,808
Borrowings from International Finance Corporation (IFC)	–	3,627,548	–	3,627,548
Total	12,756,021	16,150,356	12,756,021	16,150,356

The maturity analysis of financial liabilities at amortised cost – other borrowings is given in Note 60 on pages 380 and 381.

47 Current tax liabilities

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			24,916,074	9,486,772	24,475,319	9,294,180
Provision for the year			17,671,951	25,265,452	16,972,949	24,648,645
Under/(Over) provision	23	312	(512,850)	35,006	(463,909)	40,803
Self assessment payments			(25,270,440)	(11,143,271)	(24,526,988)	(10,643,395)
Transfers in settlement of other taxes			–	97,854	–	97,854
Withholding tax/other credits			(97,015)	–	(97,015)	–
Exchange rate variance			(1,451,476)	1,174,261	(1,408,372)	1,037,232
Balance as at December 31,			15,256,244	24,916,074	14,951,984	24,475,319

The maturity analysis of current tax liabilities is given in Note 60 on pages 380 and 381.

48 Other liabilities

ACCOUNTING POLICY

Other liabilities include provisions made on fees and expenses, gratuity/pensions, leave encashment, lease liability, and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Accrued expenditure			5,026,165	7,194,022	4,774,438	7,052,022
Cheques sent on clearing			10,183,750	7,612,330	10,183,750	7,612,330
Lease liability	48.1	359	5,314,995	6,339,970	5,251,889	6,490,763
Provision for gratuity payable	48.2 (a)	360	170,176	464,557	–	340,068
Provision for unfunded pension scheme	48.3 (b)	361	241,497	197,277	241,497	197,277
Provision for leave encashment	48.4 (b)	362	1,359,003	1,243,285	1,359,003	1,243,285
Payable on oil hedging transactions			525,882	595,215	525,882	595,215
Impairment provision in respect of off-balance sheet credit exposures	57.3 (a) & 57.3 (b)	378	6,086,765	7,912,462	6,082,760	7,887,687
Other payables			27,358,069	8,795,759	26,631,258	8,441,926
Total			56,266,302	40,354,877	55,050,477	39,860,573

The maturity analysis of other liabilities is given in Note 60 on pages 380 and 381.

48.1 Lease liability

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			6,339,970	5,339,877	6,490,763	5,751,209
Additions during the year			429,583	760,373	315,760	812,389
Accretion of interest	13.2	303	438,045	497,634	457,440	526,859
Payments			(1,373,157)	(1,446,091)	(1,532,374)	(1,588,045)
Exchange rate variance			(519,446)	1,188,177	(479,700)	988,351
Balance as at December 31,			5,314,995	6,339,970	5,251,889	6,490,763

The maturity analysis of lease liability is given in Note 60 on pages 380 and 381.

48.1 (a) Sensitivity analysis on lease liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Bank as at December 31, 2023.

Variable	BANK	
	Sensitivity effect on Statement of Financial Position (Lease liability) Rs. '000	Sensitivity effect on Income Statement Rs. '000
1% increase in incremental borrowing rate	(79,501)	26,011
1% decrease in incremental borrowing rate	83,918	(27,734)

48.1 (b) Undiscounted cash flow

The following table illustrates the maturity analysis of the lease liability of the Bank on the basis of undiscounted cash flows.

As at December 31,	BANK	
	2023 Rs. '000	2022 Rs. '000
Less than one year	1,491,069	1,608,139
Between one to five years	4,299,274	5,262,104
Over five years	969,778	1,409,186
Total	6,760,121	8,279,429

48.2 Provision for gratuity payable

An actuarial valuation of the retirement gratuity payable was carried out as at December 31, 2023 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

48.2 (a) Movement in the provision for gratuity payable (*)

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			464,557	984,392	340,068	866,986
Expense recognised in the Income Statement	48.2 (b)	360	38,757	25,484	–	–
Exchange rate variance			–	–	–	–
Amount paid during the year			(349,653)	(542,538)	(340,068)	(526,918)
Actuarial (gains)/losses recognised in other comprehensive income			16,515	(2,781)	–	–
Balance as at December 31,			170,176	464,557	–	340,068

(*) The Bank converted the gratuity liability of its Sri Lankan Operations which was a DBP into a DCPF during the year 2020. Please refer Note 7.8.2.4 on page 298 and 299. Similarly, the gratuity liability of the Bangladesh Operations of the Bank transferred into a separate fund namely "Bangladesh Employees' Gratuity Fund" which is independently administered by a Board of Trustees, who shall be appointed by the Bank, during the year 2021. Please refer Note 48.5.3 on page 365.

48.2 (b) Expense recognised in the Income Statement – Gratuity

For the year ended December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest cost	22,408	12,976	–	–
Current service cost	16,349	12,508	–	–
Total	38,757	25,484	–	–

48.2 (c) Sensitivity analysis on actuarial valuation – Gratuity

The following table illustrates the impact arising from the possible changes in the discount rate and salary escalation rates on the gratuity valuation of the Group and the Bank as at December 31, 2023.

Variable	GROUP	
	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	
1% increase in discount rate	(11,751)	
1% decrease in discount rate	13,322	
1% increase in salary	13,638	
1% decrease in salary	(12,222)	

48.3 Provision for unfunded pension scheme

An actuarial valuation of the unfunded pension liability was carried out as at December 31, 2023 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuary to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

48.3 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	After retirement	A (90) Annuities table (Males & Females) issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bank.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available. Disability rates used in this valuation : 10.00% of Mortality table
	Normal retirement age	55 to 60 years as opted by employees.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 13.00% p.a. (2022 – 18.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 12.00% p.a. (2022 – 16.00% p.a.) has been used in respect of the active employees.
	Post retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate of increase was assumed for this valuation.

48.3 (b) Movement in the provision for unfunded pension scheme

			GROUP		BANK	
	Note	Page No.	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			197,277	235,116	197,277	235,116
Expense recognised in the Income Statement	48.3 (c)	361	35,510	25,863	35,510	25,863
Amount paid during the year			(54,728)	(53,001)	(54,728)	(53,001)
Actuarial (gains)/losses recognised in other comprehensive income			63,438	(10,701)	63,438	(10,701)
Balance as at December 31,			241,497	197,277	241,497	197,277

48.3 (c) Expense recognised in the Income Statement – Unfunded pension scheme

			GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
<i>For the year ended December 31,</i>						
Interest cost			35,510	25,863	35,510	25,863
Total			35,510	25,863	35,510	25,863

48.3 (d) Sensitivity analysis on actuarial valuation – Unfunded pension scheme

The following table illustrates the impact arising from the possible changes in the discount rates and salary escalation rates on the unfunded pension scheme of the Bank as at December 31, 2023.

Variable	GROUP	BANK
	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(8,466)	(8,466)
1% decrease in discount rate	9,135	9,135
1% increase in salary	–	–
1% decrease in salary	–	–

48.4 Provision for leave encashment

An actuarial valuation of the leave encashment liability was carried out as at December 31, 2023 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

48.4 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	Staff turnover	The probability of a member withdrawing from the scheme within a year of ages between 20 to 55 years.
	Disability	Disability rates used in this valuation: 10.00% of mortality table.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 13.00% p.a. (2022 – 18.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 12.00% p.a. (2022 – 16.00% p.a.) has been used in respect of the active employees.

48.4 (b) Movement in the provision for leave encashment

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			1,243,285	938,088	1,243,285	938,088
Expense recognised in the Income Statement	48.4 (c)	362	223,791	410,656	223,791	410,656
Amount paid during the year			(206,539)	(185,289)	(206,539)	(185,289)
Actuarial (gains)/losses recognised in other comprehensive income			98,466	79,830	98,466	79,830
Balance as at December 31,			1,359,003	1,243,285	1,359,003	1,243,285

48.4 (c) Expense recognised in the Income Statement – Leave encashment

For the year ended December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest cost	223,791	103,190	223,791	103,190
Cost of accrued liability due to plan amendment	–	307,466	–	307,466
Total	223,791	410,656	223,791	410,656

48.4 (d) Sensitivity analysis on actuarial valuation – Leave encashment

The following table illustrates the impact arising from the possible changes in the discount rate and salary escalation rates on leave encashment liability valuation of the Bank as at December 31, 2023.

Variable	GROUP	BANK
	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(65,481)	(65,481)
1% decrease in discount rate	72,119	72,119
1% increase in salary	73,633	73,633
1% decrease in salary	(67,960)	(67,960)

48.5 Employee retirement benefit**48.5.1 Pension fund – Defined benefit plan**

An actuarial valuation of the Retirement Pension Fund was carried out as at December 31, 2023 by Mr M Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the Fund is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the Fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

48.5.1 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	After retirement	A (90) Annuities table (Males & Females) issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bank.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available. Disability rates used in this valuation : 10.00% of Mortality table
	Normal retirement age	55 to 60 years as opted by employees.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 13.00% p.a. (2022 – 18.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 12.00% p.a. (2022 – 16.00% p.a.) has been used in respect of the active employees.
	Post-retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate of increase was assumed for this valuation.

48.5.1 (b) Movement in the present value of defined benefit obligation – Bank

	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	199,918	254,402
Interest cost	35,985	27,984
Current service cost	2,918	3,459
Benefits paid during the year	(28,158)	(26,911)
Actuarial (gains)/losses	42,983	(59,016)
Balance as at December 31,	253,646	199,918

48.5.1 (c) Movement in the fair value of plan assets – Bank

	2023 Rs. '000	2022 Rs. '000
Fair value as at January 01,	240,138	271,969
Refund of excess contribution made in previous years	–	(17,567)
Expected return on plan assets	43,225	29,917
Contribution paid into plan	3,051	2,699
Benefits paid by the plan	(28,158)	(26,911)
Actuarial gains/(losses) on plan assets	(20,899)	(19,969)
Fair value as at December 31,	237,357	240,138

48.5.1 (d) Liability recognised in the Statement of Financial Position

As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Present value of defined benefit obligations	48.5.1 (b)	363	253,646	199,918
Fair value of plan assets	48.5.1 (c)	364	(237,357)	(240,138)
Net liability recognised under other liabilities			16,289	(40,220)

48.5.1 (e) Plan assets consist of the following:

As at December 31,	2023 Rs. '000	2022 Rs. '000
Deposits held with the Bank	237,357	240,138
Total	237,357	240,138

48.5.2 W&OP Fund – Defined benefit plan

An actuarial valuation of the Retirement Pension W&OP Fund was carried out as at December 31, 2023 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

48.5.2 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	After retirement	A (90) Annuities table (Males & Females) issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bank.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available. Disability rates used in this valuation: 10.00% of Mortality table
	Normal retirement age	55 to 60 years as opted by employees.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 13.00% p.a. (2022 – 18.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 12.00% p.a. (2022 – 16.00% p.a.) has been used in respect of the active employees.
	Post-retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate of increase was assumed for this valuation.

48.5.2 (b) Movement in the present value of defined benefit obligation – Bank

	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	60,277	79,708
Interest cost	10,849	8,768
Current service cost	196	351
Benefits paid during the year	(9,561)	(8,972)
Actuarial (gains)/losses	21,967	(19,578)
Balance as at December 31,	83,728	60,277

48.5.2 (c) Movement in the fair value of plan assets

	2023 Rs. '000	2022 Rs. '000
Fair value as at January 01,	81,789	94,771
Refund of excess contribution made in previous years	–	(15,065)
Expected return on plan assets	14,722	10,425
Contribution paid into plan	279	247
Benefits paid by the plan	(9,561)	(8,972)
Actuarial gains/(losses) on plan assets	(9,150)	383
Fair value as at December 31,	78,079	81,789

48.5.2 (d) Liability recognised in the Statement of Financial Position

As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Present value of defined benefit obligations	48.5.2 (b)	365	83,728	60,277
Fair value of plan assets	48.5.2 (c)	365	(78,079)	(81,789)
Net liability recognised under other liabilities			5,649	(21,512)

48.5.2 (e) Plan assets consist of the following:

As at December 31,	2023 Rs. '000	2022 Rs. '000
Deposits held with the Bank	78,079	81,789
Total	78,079	81,789

48.5.3 Gratuity Fund Bangladesh Operations – Defined Benefit Plan

An actuarial valuation of the retirement gratuity payable was carried out as at December 31, 2023 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

48.5.3 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bangladesh Operations of the Bank.
	Normal retirement age	59 Years
	Average future working lifetime	15 Years
Financial	Rate of discount	In the absence of long term high quality corporate bonds or government bonds with the term that matches liabilities, a long term interest rate of 10.00% p.a. (2022 – 8.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 12.00% p.a. (2022 – 10.00% p.a.) has been used in respect of the active employees.

48.5.3 (b) Movement in the present value of defined benefit obligation – Bank

	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	865,917	456,868
Interest cost	58,343	55,469
Current service cost	77,379	67,993
Past service cost	–	27,165
Benefits paid during the year	(5,484)	(52,729)
Actuarial (gains)/losses	17,434	60,460
Exchange rate variance	(162,778)	250,691
Balance as at December 31,	850,811	865,917

48.5.3 (c) Movement in the fair value of plan assets

	2023 Rs. '000	2022 Rs. '000
Fair value as at January 01,	865,917	504,584
Expected return on plan assets	58,343	61,262
Contribution paid into plan	108,578	167,607
Benefits paid by the plan	(5,484)	(52,729)
Actuarial gains/(losses) on plan assets	(13,765)	(90,197)
Exchange rate variance	(162,778)	275,390
Fair value as at December 31,	850,811	865,917

48.5.3 (d) Liability recognised in the Statement of Financial Position

As at December 31,	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Present value of defined benefit obligations	48.5.3 (b)	366	850,811	865,917
Fair value of plan assets	48.5.3 (c)	366	(850,811)	(865,917)
Net liability recognised under other liabilities			–	–

48.5.3 (e) Plan assets consist of the following:

As at December 31,	2023 Rs. '000	2022 Rs. '000
Deposits held with the Bank	850,811	865,917
Total	850,811	865,917

48.5.4 Defined Contribution Plans**48.5.4 (a) Defined Contribution Plan – Pension Fund 2006**

During 2006, the Bank restructured its pension scheme which was a Defined Benefit Plan (DBP) to a Defined Contribution Plan (DCP). This restructured plan was offered on a voluntary basis to the eligible employees of the Bank. The scheme provided for lump sum payments instead of commuted/monthly pension to the eligible employees at the point of their separation, in return for surrendering their pension rights. The lump sum offered consisted of a past service package and future service package. The cost to be incurred on account of the past service package in excess of the funds available in the pension fund was borne by the Bank in 2006.

The future service package includes monthly contributions to be made by the Bank for the employees who accepted the offer, to be made during their remaining period of service, at predetermined contribution rates to be applied on their salaries, estimated to increase for this purpose at 10.00% p.a. In addition, interest to be earned on the assets of the DCP is also allocated to the employees who joined the restructured scheme.

48.5.4 (b) Defined Contribution Plan – Pension Fund 2020

The Bank converted its gratuity scheme of Sri Lankan operations, which was a Defined Benefit Plan (DBP), to a Defined Contribution Plan (DCP) during the year 2020. Refer Note 7.8.2.4 for further details on page no. 298.

49 Due to subsidiaries

	GROUP		BANK	
As at December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Local subsidiaries				
Commercial Development Company PLC	–	–	2,063	32,785
CBC Tech Solutions Limited	–	–	315,158	82,699
CBC Finance Limited	–	–	–	–
Commercial Insurance Brokers (Private) Limited	–	–	–	–
Subtotal	–	–	317,221	115,484
Foreign subsidiaries				
Commex Sri Lanka S.R.L. – Italy	–	–	–	–
Commercial Bank of Maldives Private Limited	–	–	–	–
CBC Myanmar Microfinance Company Limited	–	–	–	–
Subtotal	–	–	–	–
Total	–	–	317,221	115,484

The maturity analysis of due to subsidiaries is given in Note 60 on pages 380 and 381.

50 Subordinated liabilities

ACCOUNTING POLICY

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			59,797,760	37,272,760	59,797,760	37,272,760
Amount borrowed during the year (*)			12,000,000	10,000,000	12,000,000	10,000,000
Repayments/redemptions during the year			(32,393,840)	–	(32,393,840)	–
Subtotal			39,403,920	47,272,760	39,403,920	47,272,760
Exchange rate variance			(3,525,000)	12,525,000	(3,525,000)	12,525,000
Balance as at December 31, (before adjusting for amortised interest and transaction cost)	50.1 & 50.2	369	35,878,920	59,797,760	35,878,920	59,797,760
Unamortised transaction cost			–	(3,053)	–	(3,053)
Net effect of amortised interest payable			604,019	1,606,260	604,019	1,606,260
Adjusted balance as at December 31,			36,482,939	61,400,967	36,482,939	61,400,967

(*) The Bank announced a debenture issue in July 2023 to issue 60,000,000 Basel III compliant - Tier II, listed, rated, unsecured, subordinated, redeemable debentures of Rs. 100/- each, with a non-viability conversion feature amounting to Rs. 6 Bn. with an option to issue up to a further 60,000,000 debentures amounting to Rs. 6 Bn. This debenture issue was opened for investors on December 12, 2023, and initial issue was oversubscribed on the same day. The allotment and the listing of debentures were concluded on December 20, 2023, and December 29, 2023, respectively.

The quantum of funds raised through the above Debenture Issue was/will be utilised to achieve the following objectives as stipulated in the prospectus.

- Improve the Tier II capital base thus, increasing the Capital Adequacy Ratio (CAR)
- Reduce maturity gaps in the assets and liabilities of the Bank
- Expand the lending portfolio

As stated in the prospectus, the following table indicates utilisation of funds raised through the above debentures.

Objective number	Objective as per prospectus	Amount allocated as per prospectus	Proposed date of utilisation as per prospectus	Amount allocated from proceeds (A)	% of total proceeds	Amounts utilised (B)	% of utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested (eg: whether lent to related party/s etc.)
1	Improve the Tier II capital base thus, increasing the Capital Adequacy Ratio (CAR)	Rs. 12 Bn.	Subsequent to the allotment of Debentures	Rs. 12 Bn.	100	Rs. 12 Bn.	100	N/A
2	Reduce maturity gaps in the assets and liabilities of the Bank							
3	Expand the lending portfolio		Within 12 months from date of receipt of cash flows			–	–	Funds will be utilised within 12 months from the date of receipt cash flows

50.1 Categories of subordinated liabilities as at December 31, 2023 – Group and Bank

Categories	Interest payable frequency	Allotment date	Maturity date	Coupon rate	Effective annual yield	Interest rate of comparable Government Security	Market value			Other Ratios as at date of last trade		Group/Bank
							Highest	Lowest	Period end	Interest yield	Yield to Maturity	
				%	%	%				%	%	Rs.'000
Fixed Rate Debentures												
Issued in 2016												
2016/2026 – Type B – Public/Listed	Biannually	09.03.2016	08.03.2026	11.25	11.57	13.60	Not traded during the period			N/A	N/A	1,749,090
2016/2026 – Type B – Public/Listed	Biannually	28.10.2016	27.10.2026	12.25	12.63	13.65	Not traded during the period			N/A	N/A	1,928,200
Issued in 2018												
2018/2028 – Type B – Public/Listed	Biannually	23.07.2018	22.07.2028	12.50	12.89	13.85	Not traded during the period			N/A	N/A	1,606,160
Issued in 2021												
2021/2026 – Type A – Public/Listed	Biannually	21.09.2021	20.09.2026	9.00	9.20	13.65	Not traded during the period			N/A	N/A	4,237,470
2021/2028 – Type B – Public/Listed	Biannually	21.09.2021	20.09.2028	9.50	9.73	13.70	Not traded during the period			N/A	N/A	4,358,000
Issued in 2022												
2022/2027 – Type A – Public/Listed	Biannually	12.12.2022	11.12.2027	28.00	29.96	13.55	100	100	100(*)	28.00	28.00	6,724,680
2022/2029 – Type B – Public/Listed	Biannually	12.12.2022	11.12.2029	27.00	28.82	13.45	Not traded during the period			N/A	N/A	3,263,820
2022/2032 – Type C – Public/Listed	Biannually	12.12.2022	11.12.2032	22.00	23.21	13.70	Not traded during the period			N/A	N/A	11,500
Issued in 2023												
2023/2028 – Type A – Public/Listed	Biannually	20.12.2023	19.12.2028	14.50	15.03	14.05	Not traded during the period			N/A	N/A	2,132,400
2023/2028 – Type B – Public/Listed	Annually	20.12.2023	19.12.2028	15.00	15.00	14.05	Not traded during the period			N/A	N/A	7,558,090
2023/2030 – Type C – Public/Listed	Biannually	20.12.2023	19.12.2030	13.75	14.22	13.35	Not traded during the period			N/A	N/A	32,980
2023/2030 – Type D – Public/Listed	Annually	20.12.2023	19.12.2030	14.25	14.25	13.35	Not traded during the period			N/A	N/A	817,760
2023/2033 – Type E – Public/Listed	Biannually	20.12.2023	19.12.2033	13.50	13.96	12.95	Not traded during the period			N/A	N/A	30,840
2023/2033 – Type F – Public/Listed	Annually	20.12.2023	19.12.2033	14.00	14.00	12.95	Not traded during the period			N/A	N/A	1,427,930
Total												35,878,920

(*) Last traded date – February 14, 2023

50.2 Categories of subordinated liabilities as at December 31, 2022 – Group and Bank

Categories	Interest payable frequency	Allotment date	Maturity date	Coupon Rate/ Interest rate	Effective annual yield	Interest rate of comparable Government Security	Market value			Other Ratios as at date of last trade		Group/Bank
							Highest	Lowest	Period end	Interest yield	Yield to Maturity	
				%	%	%				%	%	Rs.'000
Fixed Rate Debentures												
Issued in 2016												
2016/2026 – Type B – Public/Listed	Biannually	09.03.2016	08.03.2026	11.25	11.57	30.70	Not traded during the period			N/A	N/A	1,749,090
2016/2026 – Type B – Public/Listed	Biannually	28.10.2016	27.10.2026	12.25	12.63	28.20	Not traded during the period			N/A	N/A	1,928,200
Issued in 2018												
2018/2023 – Type A – Public/Listed	Biannually	23.07.2018	22.07.2023	12.00	12.36	32.02	Not traded during the period			N/A	N/A	8,393,840
2018/2028 – Type B – Public/Listed	Biannually	23.07.2018	22.07.2028	12.50	12.89	26.30	Not traded during the period			N/A	N/A	1,606,160
Issued in 2021												
2021/2026 – Type A – Public/Listed	Biannually	21.09.2021	20.09.2026	9.00	9.20	28.20	Not traded during the period			N/A	N/A	4,237,470
2021/2028 – Type B – Public/Listed	Biannually	21.09.2021	20.09.2028	9.50	9.73	26.30	100	100	100 (*)	9.73	9.50	4,358,000
Issued in 2022												
2022/2027 – Type A – Public/Listed	Biannually	12.12.2022	11.12.2027	28.00	29.96	26.85	Not traded during the period			N/A	N/A	6,724,680
2022/2029 – Type B – Public/Listed	Biannually	12.12.2022	11.12.2029	27.00	28.82	26.85	Not traded during the period			N/A	N/A	3,263,820
2022/2032 – Type C – Public/Listed	Biannually	12.12.2022	11.12.2032	22.00	23.21	26.10	Not traded during the period			N/A	N/A	11,500
Sub total												32,272,760
Floating rate subordinated loans												
IFC Borrowings – 6M LIBOR + 5.75%	Biannually	13.03.2013	14.03.2023	10.289	10.289							27,525,000
Total												59,797,760

(*) Last traded date – September 15, 2022

50.3 Subordinated liabilities by maturity

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Payable within one year	–	35,918,840	–	35,918,840
Payable after one year	35,878,920	23,878,920	35,878,920	23,878,920
Total	35,878,920	59,797,760	35,878,920	59,797,760

In the event of the winding-up of the issuer, the above liabilities would be subordinated to the claims of depositors and all other creditors of the issuer. The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated liabilities during the year ended December 31, 2023.

The maturity analysis of subordinated liabilities is given in Note 60 on pages 380 and 381.

51 Stated capital

ACCOUNTING POLICY

Ordinary shares in the Bank are recognised at the amount paid per ordinary share net of directly attributable issue cost.

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			58,149,621	54,566,957	58,149,621	54,566,957
Issue of ordinary voting shares under employee share option plans			51,740	–	51,740	–
Transfer from employee share option reserve	55.5	376	4,491	–	4,491	–
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment of new shares			4,742,151	3,582,664	4,742,151	3,582,664
Ordinary voting shares			4,464,679	3,373,442	4,464,679	3,373,442
Ordinary non-voting shares			277,472	209,222	277,472	209,222
Balance as at December 31,			62,948,003	58,149,621	62,948,003	58,149,621

51.1 Movement in number of shares

	Number of ordinary voting shares		Number of ordinary non-voting shares	
	2023	2022	2023	2022
Balance as at January 01,	1,167,236,442	1,124,480,528	72,541,605	69,740,771
Issue of ordinary voting shares under the employee share option plan	601,578	–	–	–
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment of new shares	68,687,375	42,755,914	5,054,128	2,800,834
Balance as at December 31,	1,236,525,395	1,167,236,442	77,595,733	72,541,605

The shares of Commercial Bank of Ceylon PLC are quoted on the Colombo Stock Exchange. The non-voting ordinary shares of the Bank, rank *pari passu* in respect of all rights with the ordinary voting shares of the Bank except voting rights on Resolutions passed at General Meetings.

The holders of ordinary shares are entitled to receive dividends declared from time to time and holders of voting ordinary shares are entitled to one vote per share at General Meetings of the Bank.

The Bank has offered employee share option plans. Refer Note 52 on page 371.

52 Share-based payment

52.1 Description of the Share-based Payment Arrangement

As at the reporting date, the Group had the following equity settled share-based payment arrangement which was granted after January 01, 2012, the effective date of the Accounting Standard SLFRS 2 on "Share-based Payment".

Employee Share Option Plan – 2019

The Bank obtained the approval of the shareholders at an Extraordinary General Meeting held on January 30, 2020, to introduce an Employee Share Option Plan for the benefit of all Executive Officers in Grade 1A and above by creating up to 2% of the ordinary voting shares at the rate of 0.5% shares in the first two years and 1% share in the last year over a period of three to five years, upon the Bank achieving specified performance conditions. The performance conditions include minimum performance targets over the budget and over the industry peers and the service conditions include the fulfilment of the minimum service period at vesting dates of each tranche.

Key terms and conditions related to the offer are detailed below:

	Tranches		
	Tranche I	Tranche II	Tranche III
Percentage of issue of new voting shares (Maximum)	0.50%	0.50%	1.00%
Date granted	January 30, 2020	January 30, 2020	January 30, 2020
Exercise price (Rs.)	91.65	85.13	87.39
Exercisable between	July 01, 2020 to June 30, 2023	October 01, 2020 to September 30, 2023	October 01, 2021 to September 30, 2024
Date of vesting	June 30, 2020	September 30, 2020	September 30, 2021
Vesting conditions	6 Months of service from the grant date and the fulfilment of performance conditions stated above for the Financial Year 2018	6 Months of service from the grant date and the fulfilment of performance conditions stated above for the Financial Year 2019	6 Months of service from the grant date and the fulfilment of performance conditions stated above for the Financial Year 2020
Number of options vested on the date of vesting			
Options granted to key management personnel	56,588	62,821	131,255
Options granted to other executive officers	4,749,197	4,743,061	11,071,741
Total options vested on the date of vesting	4,805,785	4,805,882	11,202,996
Options cancelled due to non-acceptance	(4,732,275)	(4,043,478)	–
Number of options exercised up to December 31, 2023	(73,510)	(762,404)	(239,918)
Number of options to be exercised as at December 31, 2023	–	–	10,963,078

All options are to be settled by physical delivery of ordinary voting shares of the Bank. There are neither cash settlement alternatives nor the Bank has a past practise of cash settlement for these types of options.

The exercise price of each tranche is computed based on a volume-weighted average market price of the Bank's ordinary (voting) shares, during the period of thirty (30) market days, six months prior to the date of vesting.

52.2 Measurement of fair value

As required by SLFRS 2 on "Share-based Payment", the fair value of the ESOP 2019 was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOP 2019 were as follows:

Description of the valuation input	Tranches		
	Tranche I	Tranche II	Tranche III
Expected dividend rate (%)	4.31	4.31	4.31
Risk free rate (%)	8.22	8.22	8.22
Probability of share price increase (%)	55.00	55.00	55.00
Probability of share price decrease (%)	45.00	45.00	45.00
Size of annual increase of share price (%)	19.00	19.00	19.00
Size of annual reduction in share price (%)	(12.00)	(12.00)	(12.00)
Original expected exercise price (Rs.)	100.22	100.74	101.45

Growths in share prices stated above have been based on evaluation of the historical volatility of the Bank's share price over past 10 years, adjusted for post-war growth in All Share Price Index (ASPI) published by the Colombo Stock Exchange.

52.3 Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options are as follows:

Tranche	Tranche I		Tranche II		Tranche III	
Exercise price	91.65		85.13		87.39	
Year	2023	2022	2023	2022	2023	2022
Number of voting shares vested as at January 01,	4,732,275	4,732,275	4,410,885	4,410,885	11,197,249	11,197,249
Granted during the year	-	-	-	-	-	-
Exercised during the year	-	-	(367,407)	-	(234,171)	-
Number of options expired	(4,732,275)	-	(4,043,478)	-	-	-
Number of voting shares vested as at December 31,	-	4,732,275	-	4,410,885	10,963,078	11,197,249

Employee Share Option Plan – 2023

The Bank obtained the approval of the shareholders at an Extraordinary General Meeting held on October 06, 2023, to introduce an Employee Share Option Plan (ESOP) for the benefit of all Executive Officers in Grade 1A and above by creating up to 3% of the ordinary voting shares at the rate of 0.5% shares in the first two years and 2% share in the last year over a period of three to five years, upon the Bank achieving specified performance conditions. The performance conditions include minimum performance targets over the budget and over the industry peers and the service conditions include the fulfilment of the minimum service period at vesting dates of each tranche. The first tranche under this ESOP will come into force from April 01, 2024.

52.4 Expense recognised in Income Statement

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Accordingly, the expense in the Income Statement represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. [Refer Note 19 on page 310.](#)

52.5 Certificate from Auditors on ESOP schemes

The Bank has obtained a certification from the external auditors that the above ESOP schemes have been implemented in accordance with the requirements of the Section 5.6 of the Listing Rules of the CSE and the Special Resolutions passed at the General Meetings at which the schemes were approved by the shareholders.

53 Statutory reserves

ACCOUNTING POLICY

Several statutory and voluntary reserves are maintained by the Group in order to meet various legal and operational requirements. The details of these reserves including the nature and purpose of maintaining them are given in Notes 53, 54 and 55 on pages 373 to 376.

As at December 31,	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Statutory reserve fund	53.1	373	13,586,534	12,079,670	12,375,906	11,352,858
Total			13,586,534	12,079,670	12,375,906	11,352,858

53.1 Statutory reserve fund

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	12,079,670	10,590,338	11,352,858	10,204,368
Transfers made during the year	1,852,259	1,766,584	1,023,048	1,148,490
Statutory reserve attributable to non-controlling interest	(373,145)	(277,252)	–	–
Transfers to non-distributable capital reserve	27,750	–	–	–
Balance as at December 31,	13,586,534	12,079,670	12,375,906	11,352,858

The statutory reserve fund of the Bank is maintained as per the requirements under Section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund of the Bank will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

54 Retained earnings

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	6,790,304	9,890,762	5,592,121	9,028,265
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 (*)	–	(5,205,524)	–	(5,036,184)
Adjusted balance as at January 01,	6,790,304	4,685,238	5,592,121	3,992,081
Total comprehensive income	20,863,640	23,800,552	20,221,432	22,954,998
Profit for the year	21,114,675	23,811,914	20,460,962	22,969,791
Other comprehensive income, net of tax	(251,035)	(11,362)	(239,530)	(14,793)
Dividends paid	(5,579,001)	(8,956,660)	(5,579,001)	(8,956,660)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years	20,528	30,506	20,235	30,192
Transfer of cost o/a of expired ESOP Shares (net of tax)	47,510	–	47,510	–
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	9,136	–	9,136	–
Transfers to other reserves	(12,209,114)	(12,769,332)	(11,753,048)	(12,428,490)
Balance as at December 31,	9,943,003	6,790,304	8,558,385	5,592,121

(*) The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a Surcharge Tax, at the rate of 25% to be imposed on companies that have earned a taxable income in excess of Rs. 2,000 Mn. for the year of assessment 2020/2021 and same was applicable to the Commercial Bank Group as the combined taxable income of the applicable companies of the Group exceeded Rs. 2,000 Mn. for the referred year of assessment.

Total Surcharge Tax liability of Rs. 5,217 Mn., and Rs. 5,036 Mn., has been recognised for the Group and the Bank respectively as an adjustment to the retained earnings as at January 01, 2022 in the Statement of Changes in Equity.

55 Other reserves**55. (a) Current year – 2023**

	Note	Page No.	GROUP			BANK		
			Balance as at January 01, Rs. '000	Movement/ Transfers Rs. '000	Balance as at December 31, Rs. '000	Balance as at January 01, Rs. '000	Movement/ Transfers Rs. '000	Balance as at December 31, Rs. '000
Revaluation reserve	55.1	374	10,214,244	1,287,844	11,502,088	9,396,542	1,003,035	10,399,577
General reserve	55.2	375	100,000,003	10,730,000	110,730,003	100,000,003	10,730,000	110,730,003
Fair value reserve	55.3	375	72,270	1,891,743	1,964,013	78,743	1,885,252	1,963,995
Foreign currency translation reserve	55.4	375	21,371,971	(11,674,508)	9,697,463	18,941,705	(11,086,172)	7,855,533
Employee share option reserve	55.5	376	150,529	(50,929)	99,600	150,529	(50,929)	99,600
Hedging reserve	55.6	376	36,554	(36,554)	–	36,554	(36,554)	–
Total			131,845,571	2,147,596	133,993,167	128,604,076	2,444,632	131,048,708

55. (b) Previous year – 2022

	Note	Page No.	GROUP			BANK		
			Balance as at January 01, Rs. '000	Movement/ Transfers Rs. '000	Balance as at December 31, Rs. '000	Balance as at January 01, Rs. '000	Movement/ Transfers Rs. '000	Balance as at December 31, Rs. '000
Revaluation reserve	55.1	374	11,084,711	(870,467)	10,214,244	10,195,652	(799,110)	9,396,542
General reserve	55.2	375	88,720,003	11,280,000	100,000,003	88,720,003	11,280,000	100,000,003
Fair value reserve	55.3	375	(11,979,313)	12,051,583	72,270	(11,980,175)	12,058,918	78,743
Foreign currency translation reserve	55.4	375	4,507,072	16,864,899	21,371,971	4,064,722	14,876,983	18,941,705
Employee share option reserve	55.5	376	150,529	–	150,529	150,529	–	150,529
Hedging reserve	55.6	376	(56,342)	92,896	36,554	(56,342)	92,896	36,554
Total			92,426,660	39,418,911	131,845,571	91,094,389	37,509,687	128,604,076

55.1 Revaluation reserve**ACCOUNTING POLICY**

The revaluation reserve relates to revaluation of freehold land and freehold and leasehold buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	10,214,244	11,084,711	9,396,542	10,195,652
Surplus on revaluation of freehold land and building	1,811,920	–	1,445,959	–
Deferred tax effect on revaluation surplus on freehold land and buildings	(529,534)	(884,829)	(433,788)	(799,110)
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	(9,136)	–	(9,136)	–
Deferred tax effect on revaluation surplus on freehold land and buildings attributable to Non-Controlling Interest	14,594	14,362	–	–
Balance as at December 31,	11,502,088	10,214,244	10,399,577	9,396,542

55.2 General reserve

ACCOUNTING POLICY

The Bank transfers the surplus profit, after payment of interim dividend and after retaining sufficient profits to pay final dividends proposed, from the retained earnings account to the General Reserve account. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	100,000,003	88,720,003	100,000,003	88,720,003
Transfers during the year	10,730,000	11,280,000	10,730,000	11,280,000
Balance as at December 31,	110,730,003	100,000,003	110,730,003	100,000,003

55.3 Fair value reserve

ACCOUNTING POLICY

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	72,270	(11,979,313)	78,743	(11,980,175)
Net fair value gains/(losses) on remeasuring financial assets at fair value through other comprehensive income	1,891,536	12,052,982	1,885,252	12,058,918
Share of other comprehensive income/(expense) of associate, net of tax	207	(1,399)	–	–
Balance as at December 31,	1,964,013	72,270	1,963,995	78,743

55.4 Foreign currency translation reserve

ACCOUNTING POLICY

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

As at the reporting date, the assets and liabilities of the Bank's Bangladesh

Operation and the foreign subsidiaries of the Bank were translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Other Comprehensive Income was

translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statements are taken to foreign currency translation reserve through other comprehensive income.

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	21,371,971	4,507,072	18,941,705	4,064,722
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign operations	(12,116,058)	18,347,815	(11,086,172)	14,876,983
Foreign Currency Translation Reserve attributable to non-controlling Interest	441,550	(1,482,916)	–	–
Balance as at December 31,	9,697,463	21,371,971	7,855,533	18,941,705

55.5 Employee share option reserve

ACCOUNTING POLICY

The employee share option reserve is used to recognise the value of equity-settled share-based payments to be provided to employees, including Key Management Personnel, as part of their remuneration.

	Note	Page No.	GROUP		BANK	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			150,529	150,529	150,529	150,529
Share-based payments expense during the year	19	310	21,433	–	21,433	–
Transfers to stated capital	51	370	(4,491)	–	(4,491)	–
Transfer to retained earnings on expired ESOP			(67,871)	–	(67,871)	–
Balance as at December 31,			99,600	150,529	99,600	150,529

55.6 Hedging reserve

ACCOUNTING POLICY

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedge cash flows affect profit or loss.

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	36,554	(56,342)	36,554	(56,342)
Net gains/(losses) that arose during the year, net of tax	(36,554)	92,896	(36,554)	92,896
Balance as at December 31,	–	36,554	–	36,554

56 Non-controlling interest

ACCOUNTING POLICY

Non-Controlling Interest (NCI) are 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. Accordingly, the Bank has non-controlling interest in three subsidiaries namely, Commercial Development Company PLC (NCI of 10%), Commercial Insurance Brokers (Private) Limited (NCI of 40%) and Commercial Bank of Maldives Private Limited (NCI of 45%) as at the reporting date as follows:

	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	4,107,408	2,077,811
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	–	(11,050)
Adjusted balance as at January 01,	4,107,408	2,066,761
Profit for the year	784,985	587,558
Other comprehensive income, net of tax	(396,944)	1,467,454
Transfers to non-distributable capital reserve	22,704	–
Dividends paid for the year	(14,400)	(14,400)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years	33	35
Balance as at December 31,	4,503,786	4,107,408

57 Contingent liabilities and commitments

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial

guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

In the normal course of business, the Bank makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Even though these obligations may not be recognised on the Statement of Financial Position, they may contain credit risk and are therefore part of the overall risk of the Group.

		GROUP		BANK	
As at December 31,		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
	Note Page No.				
Contingencies		508,328,327	416,081,715	507,169,205	415,235,523
Guarantees		58,118,644	61,564,425	58,102,936	62,296,878
Performance bonds		39,500,953	72,977,891	38,529,672	71,888,851
Documentary credits		66,399,708	49,453,306	66,399,708	49,339,057
Other contingencies	57.1 377	344,309,022	232,086,093	344,136,889	231,710,737
Commitments		167,448,189	139,449,822	161,706,573	134,186,176
Undrawn commitments on direct advances		162,801,934	137,171,860	157,205,333	132,065,118
Capital commitments	57.2 378	4,646,255	2,277,962	4,501,240	2,121,058
Total		675,776,516	555,531,537	668,875,778	549,421,699

57.1 Other contingencies

		GROUP		BANK	
As at December 31,		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Forward exchange contracts:		112,070,903	42,081,022	112,070,903	42,081,022
Forward exchange sales		73,833,211	25,972,942	73,833,211	25,972,942
Forward exchange purchases		38,237,692	16,108,080	38,237,692	16,108,080
Currency swaps/currency options :		111,296,151	79,641,564	111,296,151	79,641,564
Currency swaps		111,296,151	79,641,564	111,296,151	79,641,564
Currency options		–	–	–	–
Others:		120,941,968	110,363,507	120,769,835	109,988,151
Acceptances		29,930,600	32,901,639	29,930,600	32,901,639
Bills for collection		88,877,229	74,856,581	88,705,096	74,481,225
Bullion on consignment		27,770	27,429	27,770	27,429
Other contingencies		2,106,369	2,577,858	2,106,369	2,577,858
Subtotal		344,309,022	232,086,093	344,136,889	231,710,737

57.2 Capital commitments

The Group has commitments for acquisition of property, plant and equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows:

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Commitments in relation to property, plant and equipment	1,036,662	1,631,907	891,647	1,475,003
Approved and contracted for	898,662	1,486,607	753,647	1,329,703
Approved but not contracted for	138,000	145,300	138,000	145,300
Commitments in relation to intangible assets	3,609,593	646,055	3,609,593	646,055
Approved and contracted for	3,609,593	646,055	3,609,593	646,055
Approved but not contracted for	–	–	–	–
Subtotal	4,646,255	2,277,962	4,501,240	2,121,058

57.3 Movement in provision for impairment during the year

57.3 (a) Group

	Note	Page No.	Stage 1		Stage 2		Stage 3		Total	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			3,857,396	2,090,696	1,605,681	814,948	2,449,385	2,459,923	7,912,462	5,365,567
Charge/(write back) to the Income Statement	18.1	309	(1,103,146)	1,564,590	(664,771)	687,280	116,349	(55,814)	(1,651,568)	2,196,056
Exchange rate variance on foreign currency provisions			(148,765)	202,110	(25,364)	103,453	–	45,276	(174,129)	350,839
Balance as at December 31,			2,605,485	3,857,396	915,546	1,605,681	2,565,734	2,449,385	6,086,765	7,912,462

57.3 (b) Bank

	Note	Page No.	Stage 1		Stage 2		Stage 3		Total	
			2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			3,832,621	2,082,029	1,605,681	814,948	2,449,385	2,459,923	7,887,687	5,356,900
Charge/(write back) to the Income Statement	18.2	309	(1,085,126)	1,556,600	(664,771)	687,280	116,349	(55,814)	(1,633,548)	2,188,066
Exchange rate variance on foreign currency provisions			(146,015)	193,992	(25,364)	103,453	–	45,276	(171,379)	342,721
Balance as at December 31,			2,601,480	3,832,621	915,546	1,605,681	2,565,734	2,449,385	6,082,760	7,887,687

57.4 Contingent liabilities and commitments of subsidiaries and the associate

57.4 (a) Contingent liabilities and commitments of subsidiaries

Contingent liabilities and commitments of the subsidiary, Commercial Bank of Maldives Private Limited, have been included in the Consolidated Financial Statements of the Group while other subsidiaries of the Group do not have any contingencies or commitments as at the reporting date.

57.4 (b) Contingent liabilities and commitments of the associate

The associate of the Group, namely, Equity Investments Lanka (Private) Limited does not have any contingencies as at the reporting date. (As at December 31, 2022 – Nil)

58 Net assets value per ordinary share

As at December 31,	GROUP		BANK	
	2023	2022	2023	2022
Amounts used as the numerator:				
Total equity attributable to equity holders of the Bank (Rs. '000)	220,470,707	208,865,166	214,931,002	203,698,676
Number of ordinary shares used as the denominator:				
Total number of shares	1,314,121,128	1,239,778,047	1,314,121,128	1,239,778,047
Net assets value per share (Rs.)	167.77	168.47	163.55	164.30

59 Litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. In respect of pending legal claims where the Bank had already made provisions for possible losses in its Financial Statements or has a realisable security to cover the damages are not included below as the Bank does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate.

All legal cases against the Bank have been tabled at the Board Integrated Risk Management Committee and the progress has been discussed. Accordingly, set out below are the unresolved legal claims against the Bank as at December 31, 2023 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Bank which have not been listed below since the impact on of the same is considered immaterial to the Bank's operations.

Plaintiff	Nature of the case	Courts and Case No.	Value of the Action ('000)	Description of the case	Present status
Customer	Recovery of money	Commercial High Court 52/2020 (Formerly District Court of Colombo DMR 2855/18)	Rs. 55,000	Court action has been initiated by the Plaintiff to claim 10% of the sale price deposited at a property auction held by the Bank, since the Plaintiff failed to deposit the balance 90% within 30 days of the auction.	The Cross claimed fixed for Exparte trial on May 29, 2024.
Customer	Recovery of money	Commercial High Court CHC/ 771/19/MR	Rs. 60,000	The Plaintiff has filed this action seeking an order to prevent the Bank who is the first Defendant from paying and/or disbursing funds on the five Bank Guarantees favouring the Beneficiary who is the second Defendant.	Pre-Trial on February 26, 2024.
Customer	Special	Commercial High Court CHC /193/2020/MR	Rs. 458,895	Plaintiffs have filed this action seeking an order to prevent the payment of Guarantees issued by the Bank in favour of the Beneficiary who is the first Defendant.	Pre-Trial on March 15, 2024.
Customer	Special	District Court of Kaduwela 514/SPL	Rs. 463,918	Plaintiffs have filed this action seeking an order to prevent the payment of Guarantees issued by the Bank in favour of the Beneficiary who is the first Defendant.	The case was laid by until conclusion of Arbitration proceedings.
Customer	Recovery of money	Commercial High Court CHC/87/2021/MR	Rs. 1,341,350	The Plaintiff has filed the action seeking interim reliefs inter alia preventing the Beneficiary, who is the first Defendant, from claiming on the Bank Guarantees issued by the Bank.	Written submissions on interim injunction on February 28, 2024.
Customer	Recovery of money	District Court of Colombo 01423/2020/DMR	US\$.250	Action has been instituted to recover a sum of US\$ 250,000/- or equivalent in Sri Lankan Rupees together with legal interest thereon as damages due to a Guarantee which the Plaintiff could not claim from Surety.	Trial on March 03, 2024.
Customer	Recovery of money	Commercial High Court CHC/219/2021/MR	Rs. 463,967	The Plaintiff has filed this action to recover a sum of Rs. 463,967,380.97 due on the guarantees issued by the Bank in favour of the Plaintiff. The applicant of the above guarantees has already obtained an interim injunction in the District Court Kaduwela, Case No. 514/SPL against the Bank preventing the payment on the said guarantees.	Trial on June 14, 2024 and July 16, 2024.
Customer	Recovery of money	Commercial High Court CHC/222/2021/MR	Rs. 442,520	The Plaintiff has filed this action to recover a sum of Rs. 442,519,529.51 due on the guarantees issued by the Bank in favour of the Plaintiff. The applicant of the above guarantees has already obtained an interim injunction in the Commercial High Court, Case No. 193/2020/MR against the Bank preventing the payment on the said guarantees.	Trial on June 14, 2024 and July 16, 2024.
Customer	Recovery of money	Commercial High Court CHC/180/2021/MR	Rs. 607,743	The Plaintiff has filed the action seeking interim reliefs inter alia preventing the first Defendant, from claiming on the Bank Guarantees issued by the Bank.	The Court has ordered to lay by the matter.
Customer	Recovery of money	Joint District Judge, Dhaka, Money suite No. 52 of 2010	Tk. 35,328	The Plaintiff has filed the action to recover a sum of Taka 35,327,548.67 alleging that a sum of Taka 30,060,690/- was withdrawn by producing 13 cheques from the plaintiff's account. Plaintiff claimed that the cheques were illegal with forged signatures.	Next date is not fixed yet.

60 Maturity analysis

Group

- (i) Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets employed by the Group is detailed below:

	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total as at 31.12.2023 Rs. '000	Total as at 31.12.2022 Rs. '000
Interest earning assets							
Financial assets							
Cash and cash equivalents	26,206,737	–	–	–	–	26,206,737	16,543,712
Balances with Central Banks	30,793,174	–	–	–	–	30,793,174	5,574,965
Placements with banks	81,506,653	–	–	–	–	81,506,653	74,698,880
Securities purchased under resale agreements	31,148,729	–	–	–	–	31,148,729	1,517,308
Derivative financial assets	–	–	–	–	–	–	–
Financial assets recognised through profit or loss – measured at fair value	26,894,481	–	–	–	–	26,894,481	22,848,251
Financial assets at amortised cost – loans and advances to other customers	495,059,099	310,092,286	243,176,775	102,048,225	54,489,212	1,204,865,597	1,155,492,527
Financial assets at amortised cost – debt and other financial instruments	79,278,275	148,201,971	187,246,173	152,429,069	118,000,049	685,155,537	761,650,234
Financial assets measured at fair value through other comprehensive income	117,323,686	105,836,150	21,788,019	39,382,215	3,206,551	287,536,621	118,436,200
Total interest earning assets as at 31.12.2023	888,210,834	564,130,407	452,210,967	293,859,509	175,695,812	2,374,107,529	
Total interest earning assets as at 31.12.2022	802,944,605	401,503,444	531,911,995	265,863,080	154,538,953		2,156,762,077
Non-interest earning assets							
Financial assets							
Cash and cash equivalents	133,494,770	–	–	–	–	133,494,770	134,565,778
Balances with Central Banks	23,476,928	7,329,226	473,746	560,429	–	31,840,329	73,022,155
Placements with banks	–	–	–	–	–	–	21,384,057
Securities purchased under resale agreements	–	–	–	–	–	–	–
Derivative financial assets	2,049,107	254,635	4,922,742	–	–	7,226,484	8,345,091
Financial assets recognised through profit or loss – measured at fair value	2,555,172	–	–	–	–	2,555,172	2,024,806
Financial assets at amortised cost – loans and advances to other customers	–	–	–	–	–	–	–
Financial assets at amortised cost – debt and other financial instruments	–	–	–	–	–	–	–
Financial assets measured at fair value through other comprehensive income	–	–	–	196,351	–	196,351	216,057
Non-financial assets							
Investment in associate	–	–	–	–	59,004	59,004	55,302
Property, plant and equipment and right-of-use assets	–	–	–	–	28,997,246	28,997,246	27,446,607
Investment properties	–	–	–	–	597,825	597,825	80,350
Intangible assets	–	–	–	–	4,289,404	4,289,404	4,113,200
Deferred tax assets	–	–	34,511,410	–	–	34,511,410	30,727,213
Other assets	16,669,808	305,113	13,361,434	852,833	6,546,963	37,736,151	40,811,211
Total non-interest earning assets as at 31.12.2023	178,245,785	7,888,974	53,269,332	1,609,613	40,490,442	281,504,146	
Total non-interest earning assets as at 31.12.2022	224,716,698	38,470,455	33,525,483	8,665,355	37,413,836		342,791,827
Total assets – as at 31.12.2023	1,066,456,619	572,019,381	505,480,299	295,469,122	216,186,254	2,655,611,675	
Total assets – as at 31.12.2022	1,027,661,303	439,973,899	565,437,478	274,528,435	191,952,789		2,499,553,904
Percentage – as at 31.12.2023 (*)	40.16	21.54	19.03	11.13	8.14	100.00	
Percentage – as at 31.12.2022 (*)	41.11	17.60	22.63	10.98	7.68		100.00

(*) Total assets of each maturity bucket as a percentage of total assets employed by the Group.

(ii) Remaining contractual period to maturity as at the date of Statement of Financial Position of the liabilities and equity employed by the Group is detailed below:

	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total as at 31.12.2023 Rs. '000	Total as at 31.12.2022 Rs. '000
Interest-bearing liabilities							
Financial liabilities							
Due to banks	23,505,177	435,573	5,380,096	7,359,473	–	36,680,319	46,916,964
Derivative financial liabilities	–	–	–	–	–	–	–
Securities sold under repurchase agreements	95,816,329	15,370,495	–	–	–	111,186,824	97,726,435
Financial liabilities at amortised cost – due to depositors	1,203,953,922	603,845,255	44,336,998	44,661,397	–	1,896,797,572	1,759,513,510
Financial liabilities at amortised cost – other borrowings	1,682,866	5,109,269	574,165	2,444,086	2,945,635	12,756,021	16,150,356
Subordinated liabilities	369,675	234,345	7,914,760	22,379,329	5,584,830	36,482,939	61,400,967
Total interest – bearing liabilities as at 31.12.2023	1,325,327,969	624,994,937	58,206,019	76,844,285	8,530,465	2,093,903,675	
Total Interest – bearing liabilities as at 31.12.2022	1,083,486,559	753,726,623	61,315,814	63,349,747	19,829,489		1,981,708,232
Non-interest bearing liabilities							
Financial liabilities							
Due to banks	11,036,659	–	231,600	–	–	11,268,259	18,054,206
Derivative financial liabilities	1,795,301	281,024	242,884	–	–	2,319,209	2,880,667
Securities sold under repurchase agreements	–	–	–	–	–	–	–
Financial liabilities at amortised cost – due to depositors	251,109,286	–	–	–	–	251,109,286	218,230,151
Financial liabilities at amortised cost – other borrowings	–	–	–	–	–	–	–
Subordinated liabilities	–	–	–	–	–	–	–
Non-financial liabilities							
Current tax liabilities	3,814,061	11,442,183	–	–	–	15,256,244	24,916,074
Deferred tax liabilities	–	–	514,207	–	–	514,207	437,123
Other liabilities	41,181,712	2,299,565	3,019,505	2,101,470	7,664,050	56,266,302	40,354,877
Equity							
Stated capital	–	–	–	–	62,948,003	62,948,003	58,149,621
Statutory reserves	–	–	–	–	13,586,534	13,586,534	12,079,670
Retained earnings	–	–	–	–	9,943,003	9,943,003	6,790,304
Other reserves	–	–	–	–	133,993,167	133,993,167	131,845,571
Non-controlling interest	–	–	–	–	4,503,786	4,503,786	4,107,408
Total non-interest-bearing liabilities as at 31.12.2023	308,937,019	14,022,772	4,008,196	2,101,470	232,638,543	561,708,000	
Total non-interest-bearing liabilities as at 31.12.2022	266,194,809	29,026,927	4,509,225	2,820,765	215,293,946		517,845,672
Total liabilities and equity – as at 31.12.2023	1,634,264,988	639,017,709	62,214,215	78,945,755	241,169,008	2,655,611,675	
Total liabilities and equity – as at 31.12.2022	1,349,681,368	782,753,550	65,825,039	66,170,512	235,123,435		2,499,553,904
Percentage – as at 31.12.2023 (*)	61.55	24.06	2.34	2.97	9.08	100.00	
Percentage – as at 31.12.2022 (*)	60.03	26.14	3.09	1.23	9.51		100.00

(*) Total liabilities and equity of each maturity bucket as a percentage of total liabilities and equity employed by the Group.

61 Operating segments

ACCOUNTING POLICY

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, whose operating results are reviewed regularly by the Corporate Management Team headed by the Managing Director/Chief Executive Officer (being the chief operating decision-maker) to make decisions about resources allocated to each segment and assess its performance,

and for which discrete financial information is available.

The Group has five strategic divisions (operating segments) which are reportable segments, namely:

- Personal Banking
- Corporate Banking
- International Operations
- Dealing/Treasury
- NBFI, Real Estate & Services

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Consolidated Financial Statements. Income taxes are reported at the group level and are not allocated to operating segments.

The following table presents the income, profit and asset and liability information of the Group's strategic business divisions for the year ended December 31, 2023 and comparative figures for the year ended December 31, 2022.

For the year ended December 31,	Personal banking		Corporate banking	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Net interest income	40,715,044	36,987,980	21,868,573	20,629,260
Foreign exchange profit	603,669	384,657	(459,982)	121,407
Net fee and commission income	11,801,597	9,213,649	7,094,059	8,016,550
Other income	531,809	729,478	305,685	(28,599)
Total operating income	53,652,119	47,315,764	28,808,335	28,738,618
Impairment charges and other losses	702,201	(8,602,197)	(9,629,282)	(24,928,376)
Net operating income	54,354,320	38,713,567	19,179,053	3,810,242
Segment result	22,334,766	16,427,308	16,561,241	1,097,633
Profit from operations				
Share of profit / (loss) of associate (net of tax)				
Income tax expense				
Non-controlling interest				
Net profit for the year, attributable to equity holders of the parent				

As at December 31,	Personal banking		Corporate banking	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Other information				
Segment assets	716,363,522	620,049,967	472,431,439	498,406,103
Investment in associate	-	-	-	-
Total assets	716,363,522	620,049,967	472,431,439	498,406,103
Segment liabilities	1,534,359,229	1,379,454,937	415,820,007	423,811,188
Total liabilities	1,534,359,229	1,379,454,937	415,820,007	423,811,188

For the year ended December 31,	Personal banking		Corporate banking	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Information on cash flows				
Cash flows from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Capital expenditure –				
Property, plant and equipment				
Investment properties				
Intangible assets				
Net cash flow generated during the year				

International operations		Dealing/treasury		NBFI, Real Estate & Services		Unallocated/eliminations		Total/consolidated	
2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
19,719,837	14,050,779	(8,944,700)	3,214,015	754,737	679,395	12,301,868	9,103,782	86,415,359	84,665,211
11,887,763	8,756,885	(118,696)	(7,822,874)	(1,959)	1,736	(6,929,205)	29,782,201	4,981,590	31,224,012
2,575,972	2,386,823	24,220	8,343	289,629	180,331	601,842	363,405	22,387,319	20,169,101
98,445	144,679	6,820,723	(1,343,029)	1,610,481	1,368,511	(1,081,611)	(292,717)	8,285,532	578,323
34,282,017	25,339,166	(2,218,453)	(5,943,545)	2,652,888	2,229,973	4,892,894	38,956,671	122,069,800	136,636,647
(239,398)	(1,091,208)	(29,248,778)	(37,053,061)	(479,813)	(249,418)	-	-	(38,895,070)	(71,924,260)
34,042,619	24,247,958	(31,467,231)	(42,996,606)	2,173,075	1,980,555	4,892,894	38,956,671	83,174,730	64,712,387
26,654,301	17,424,026	(32,236,861)	(44,857,143)	300,192	541,888	309,867	33,875,053	33,923,506	24,508,765
								33,923,506	24,508,765
								3,495	(3,727)
								(12,027,341)	(105,566)
								(784,985)	(587,558)
								21,114,675	23,811,914

International operations		Dealing/treasury		NBFI, Real Estate & Services		Unallocated/eliminations		Total/consolidated	
2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
449,873,087	422,835,358	968,515,924	945,053,191	16,483,645	14,566,106	31,885,054	(1,412,123)	2,655,552,671	2,499,498,602
-	-	-	-	-	-	59,004	55,302	59,004	55,302
449,873,087	422,835,358	968,515,924	945,053,191	16,483,645	14,566,106	31,944,058	(1,356,821)	2,655,611,675	2,499,553,904
347,292,128	348,705,590	147,371,883	157,098,344	10,474,784	8,655,671	(24,680,849)	(31,144,400)	2,430,637,182	2,286,581,330
347,292,128	348,705,590	147,371,883	157,098,344	10,474,784	8,655,671	(24,680,849)	(31,144,400)	2,430,637,182	2,286,581,330

International operations		Dealing/treasury		NBFI, Real Estate & Services		Unallocated/eliminations		Total/consolidated	
2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
								40,658,265	89,272,189
								1,061,999	(247,631)
								(29,191,441)	(1,696,633)
								(2,792,901)	(3,322,483)
								-	-
								(1,142,983)	(2,224,915)
								8,592,939	81,780,527

62 Related party disclosures

ACCOUNTING POLICY

The Bank 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 Disclosures”, other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

62.1 Parent and ultimate controlling party

The Bank does not have an identifiable parent of its own.

62.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on “Related Party Disclosures”, KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Bank

The Board of Directors of the Bank (including Executive and Non-Executive Directors) has been identified as KMP of the Bank.

KMP of the Group

As the Bank is the ultimate parent of the subsidiaries listed out in Note 1.3 on page 279, the Board of Directors of the Bank has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Bank is also KMP of the Group. Therefore, officers who are only Directors of the subsidiaries and not of the Bank have been classified as KMP only for that respective subsidiary.

62.2.1 Compensation to KMP

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
For the year ended December 31,				
Short-term employment benefits	251,468	269,274	240,801	261,274
Post-employment benefits	9,926	70,257	9,926	70,257
Total	261,394	339,531	250,727	331,531

62.2.2 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

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 dependents of the KMP or the KMP's domestic partner. CFM too have been identified as Related Parties of the Group/Bank.

62.2.2.1 Statement of Financial Position – Bank

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Assets				
Financial assets at amortised cost – loans and advances	5,446	4,073	4,130	12,872
Total	5,446	4,073	4,130	12,872
Liabilities				
Securities sold under repurchase agreements	–	–	100	10,922
Financial liabilities at amortised cost – due to depositors	312,336	371,221	351,562	363,565
Subordinated liabilities	49,250	19,110	20,762	7,148
Total	361,586	390,331	372,424	381,635

62.2.2.2 Commitments and contingencies – Bank

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Undrawn facilities	241,782	256,552	205,885	170,340
Total	241,782	256,552	205,885	170,340

62.2.2.3 Direct and indirect accommodation – Bank

	Year-end balance	
	2023	2022
Direct and indirect accommodation as a percentage of the Bank's regulatory capital	0.12	0.13

No impairment losses have been recorded against balances outstanding with KMP and CFM.

62.2.2.4 Income Statement – Bank

<i>For the year ended December 31,</i>				
	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Interest income			414	733
Interest expense			68,295	32,120
Compensation to KMP	62.2.1	384	250,727	331,531

62.2.2.5 Share-based transactions of KMP and CFM

	Year-end balance	
	2023	2022
Number of ordinary shares held by KMP and CFM	912,069	752,889
Dividends paid (in Rs. '000)	2,880	8,810

<i>As at the year end</i>	ESOP 2019	
	2023	2022
Number of cumulative exercisable options under the Employee Share Option Plan (ESOP)		
Tranche I	–	56,588
Tranche II	–	62,821
Tranche III	80,070	131,255

62.2.3 Transactions, arrangements and agreements involving entities which are controlled, and/or jointly controlled by the KMP or their CFM

No significant transactions during the year.

62.3 Transactions with Group entities

The Group entities include the subsidiaries and the associate of the Bank.

62.3.1 Transactions with subsidiaries

62.3.1.1 Statement of Financial Position

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Assets				
Financial assets at amortised cost – loans and advances	2,215,689	3,060,942	1,305,045	2,637,250
Other assets	111,230	80,193	101,856	92,481
Total	2,326,919	3,141,135	1,406,901	2,729,731
Liabilities				
Securities sold under repurchase agreements	11,692	–	15,846	172,474
Financial liabilities at amortised cost – due to depositors	1,373,174	1,922,405	1,458,084	1,808,239
Other liabilities	317,221	115,484	204,695	92,169
Total	1,702,087	2,037,889	1,678,625	2,072,882

62.3.1.2 Commitments and contingencies

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Undrawn facilities	424,579	97,294	421,384	94,979
Total	424,579	97,294	421,384	94,979

62.3.1.3 Direct and indirect accommodation

	Year-end balance	
	2023	2022
Direct and indirect accommodation as a percentage of the Bank's Regulatory Capital	1.32	1.63

62.3.1.4 Income Statement

<i>For the year ended December 31,</i>	2023 Rs. '000	2022 Rs. '000
Interest income	208,380	267,691
Interest expense	141,529	100,378
Other income	237,629	218,889
Other expenses	1,269,596	1,020,011
Dividend income	384,601	109,600

62.3.1.5 Other transactions

<i>For the year ended December 31,</i>	2023	2022
Payments made to CBC Tech Solutions Ltd. in relation to purchase of computer hardware and software (Rs. '000)	292,150	256,599
Number of ordinary shares of the Bank held by the subsidiaries as at the year-end	–	–
Dividend paid (Rs. '000)	–	–

62.3.1.6 Inter-company transactions carried out by other entities in the Group

Details of transactions of CBC Finance Limited with Commercial Development Company PLC (CDC) and CBC Tech Solutions Limited.

Subsidiary Company	Nature of the transaction	Year-end balance		Annual average balance	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
CBC Finance Limited	Transactions with CDC PLC				
	As at December 31, Term deposits	700,322	549,315	517,143	517,143
	For the year ended December 31, Interest expense	106,007	60,957	–	–
	Transactions with CBC Tech Solutions Limited				
	As at December 31, Term deposits	238,331	144,786	136,755	136,755
	For the year ended December 31, Interest expense	37,295	16,063	–	–

62.3.2 Transactions with the associate**62.3.2.1 Statement of Financial Position**

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Assets				
Financial assets at amortised cost – loans and advances	–	–	–	–
Total	–	–	–	–
Liabilities				
Financial liabilities at amortised cost – due to depositors	1,046	4,499	2,752	6,754
Total	1,046	4,499	2,752	6,754

62.3.2.2 Commitments and contingencies

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Undrawn facilities	–	–	–	–
Total	–	–	–	–

62.3.2.3 Income Statement

<i>For the year ended December 31,</i>	2023 Rs. '000	2022 Rs. '000
Interest income	–	–
Interest expense	121	114
Other income	–	–
Other expenses	–	–

62.3.2.4 Other transactions

	2023	2022
Number of ordinary shares of the Bank held by the associate as at the year-end	2,200	14,532
Dividend paid (Rs. '000)	–	98

62.4 Transactions with other related entities

Other related entities include significant investors (either entities or individuals) that have control, joint control or significant influence, post-employment benefit plans for the Bank's employees.

62.4.1 Transactions with the post-employment benefit plans for the employees of the Bank

62.4.1.1 Statement of Financial Position

	Year-end balance		Annual average balance	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Assets				
Financial assets at amortised cost – loans and advances	–	–	–	28
Total	–	–	–	28
Liabilities				
Securities sold under repurchase agreements	–	5,834,000	3,524,250	3,652,863
Financial liabilities at amortised cost – due to depositors	2,788,349	14,767,062	9,113,242	7,079,281
Total	2,788,349	20,601,062	12,637,492	10,732,144

62.4.1.2 Income Statement

<i>For the year ended December 31,</i>	2023 Rs. '000	2022 Rs. '000
Interest income	–	1,790
Interest expense	4,088,954	1,416,914
Contribution made/taxes paid by the Bank	1,957,777	1,907,164

62.5 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 10% of the gross revenue of the Bank.

62.6 Non-recurrent related party transactions

There are no non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, whichever is lower.

63 Non-cash items included in profit before tax

	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
<i>For the year ended December 31,</i>				
Depreciation of property, plant and equipment and right-of-use assets	3,371,245	3,131,250	3,355,917	3,142,819
Amortisation of intangible assets	964,395	467,121	927,649	420,657
Impairment charges and other losses	38,183,932	71,774,329	37,912,601	71,311,691
Fair value (gains)/losses on investment properties	(18,930)	(7,950)	–	–
Loss on revaluation of land & buildings	40,273	–	40,273	–
Accretion of interest on lease liability	438,045	497,634	457,440	526,859
Contributions to defined benefit plans – Unfunded schemes	74,267	51,347	35,510	25,863
Provision made o/a of leave encashment	223,791	410,656	223,791	410,656
Equity-settled share-based payments	21,433	–	21,433	–
Amortised interest payable o/a subordinated liabilities	3,053	12,210	3,053	12,210

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Mark to market (gains)/losses on other financial instruments at fair value through profit or loss	(1,604,992)	972,490	(1,604,992)	972,490
Mark to market (gains)/losses on derivative financial instruments	(466,818)	454,005	(466,818)	454,005
Effect of exchange rate variances on property, plant and equipment and right-of-use assets	351,769	(1,113,419)	461,406	(929,129)
Effect of exchange rate variances on intangible assets	25,334	(82,767)	14,961	(40,889)
Effect of exchange rate variances on defined benefit plans	-	-	-	-
Effect of exchange rate variances on subordinated liabilities	(3,525,000)	12,525,000	(3,525,000)	12,525,000
Net effect of exchange rate variances on net deferred tax assets	121,951	(155,274)	105,307	(110,682)
Net effect of exchange rate variances on income tax liability	(1,451,476)	1,174,261	(1,408,372)	1,037,232
Net effect of exchange rate variances on lease liability	(519,446)	1,188,177	(479,700)	988,351
Grossed up withholding tax credits	(97,015)	-	(97,015)	-
Total	36,135,811	91,299,070	35,977,444	90,747,133

64 Change in operating assets

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Net (increase)/decrease in derivative financial instruments	1,066,387	(5,047,751)	1,066,387	(5,047,751)
Net (increase)/decrease in balances with central banks	15,963,617	(21,819,655)	13,675,997	(13,595,591)
Net (increase)/decrease in placements with banks	14,564,912	(83,557,657)	14,543,562	(84,339,655)
Net (increase)/decrease in securities purchased under resale agreements	(29,631,421)	1,483,182	(29,631,421)	1,483,182
Net (increase)/decrease in other financial assets recognised through profit or loss	(2,971,604)	(2,409,424)	(2,971,604)	(2,409,424)
Net (increase)/decrease in loans and receivables to customers	(56,035,461)	(148,205,171)	(51,607,110)	(137,785,784)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	(166,367,186)	240,586,572	(167,262,216)	241,700,619
Net (increase)/decrease in financial assets at amortised cost – Debt and other financial instruments	41,775,145	(430,647,139)	41,290,512	(410,733,875)
Net (increase)/decrease in other assets	3,075,060	(13,728,034)	3,224,720	(13,674,693)
Total	(178,560,551)	(463,345,077)	(177,671,173)	(424,402,972)

65 Change in operating liabilities

	GROUP		BANK	
For the year ended December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Net increase/(decrease) in due to banks	(17,022,592)	(8,830,025)	(17,855,700)	(8,647,359)
Net increase/(decrease) in derivative financial instruments	(94,640)	408,599	(94,640)	408,599
Net increase/(decrease) in securities sold under repurchase agreements	13,460,389	(53,698,419)	13,472,081	(54,185,407)
Net increase/(decrease) in deposits from customers	170,186,654	505,103,205	170,710,112	471,266,041
Net increase/(decrease) in other borrowings	(3,394,335)	(16,436,695)	(3,394,335)	(16,436,695)
Net increase/(decrease) in other liabilities	18,795,201	4,232,171	18,123,271	4,064,912
Net increase/(decrease) in due to subsidiaries	-	-	201,737	66,785
Total	181,930,677	430,778,836	181,162,526	396,536,876

66 Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

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Introduction

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Bank's activities. Managing these risks is critical for the sustainability of the Bank which plays a pivotal role in all activities of the Bank. Risk management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising through risk adjusted returns within the risk appetite of the Bank.

Risk management framework

The overall responsibility and oversight of the risk management framework of the Bank is vested with the Board of Directors (BOD). The Board Integrated Risk Management Committee (BIRMC), a mandatory subcommittee set up by the Board, in turn is entrusted with the development of the Bank's Risk Management Policies and monitoring of due compliance of same through the Executive Integrated Risk Management Committee (EIRMC).

The Risk Management Policies spell out the risk appetite of the Bank and has incorporated risk exposure limits and controls to monitor and adherence to the limits in force. These Policies and Systems are

reviewed regularly to reflect the changing market dynamics in light of the products and services offered.

The Bank strives to inculcate a risk management culture through continuous training, work ethics and standards.

Refer Note 3.2 on page 285 for more information on the risk management framework of the Bank.

Integrated Risk Management Department (IRMD)

Business Units are the risk owners and have the primary responsibility for managing risk stemming from these activities. The IRMD acts as the second line of defence in managing the risk. The IRMD through Chief Risk Officer reports to the BIRMC thus ensuring its independence.

Risk measurement and reporting

The Bank uses robust risk measurement techniques in line with industry best practices. The Bank also carries out stress testing on regular basis which is a key aspect of the Internal Capital Adequacy Assessment Process (ICAAP). The risk management framework of the Bank provides an insight on the impact of extreme, but plausible scenarios on the Bank's risk profile. The results of the stress

testing are reported to the EIRMC and then to the BIRMC on a periodic basis.

The Bank establishes policies, and sets limits and thresholds within the risk appetite of the Bank. These limits reflect the business strategy and market environment which the bank as well as the level of risk that the Bank is willing to accept (risk appetite). The monitoring and control mechanism therefore, is based on risk appetite of the Bank.

66.1 Credit risk

The financial loss resulting from a borrower or counterparty to a financial instrument failing or delaying to meet its contractual obligations is referred to as credit risk. It arises principally from the loans and advances to banks and other customers, investments in debt securities and other financial instruments. In addition to the credit risk from direct funding exposure (i.e. on balance sheet exposure), indirect liabilities such as Letters of Credit, Guarantees etc. also would expose the Bank to credit risk.

The Bank ensures stringent credit risk management practices to manage overall elements of credit risk exposures (such as individual obligor default risk, country and sector concentration risks etc.).

66.1.1 Credit quality analysis

66.1.1 (a) Maximum exposure to credit risk by risk rating

The following tables set out information about the credit quality of financial assets measured at amortised cost, debt instruments measured at FVOCI and contingent liabilities and commitments.

As at December 31, 2023			Carrying amount	Not subject to ECL	Subject to		
	Note	Page No.	Rs. '000	Rs. '000	12-month ECL (Stage 1) Rs. '000	Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000
Cash and cash equivalents							
Risk free Investments			53,483,401	53,483,401	–	–	–
Rating 0-4: Investment grade			103,673,572	–	103,673,572	–	–
Rating 5-6: Moderate risk			676,899	–	676,899	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			157,833,872	53,483,401	104,350,471	–	–
Less: Provision for impairment			14,585	–	14,585	–	–
Net carrying amount	28	320	157,819,287	53,483,401	104,335,886	–	–
Placements with Central Bank and other Banks							
Risk free investments (Excluding Statutory Reserve)			4,903,453	4,903,453	–	–	–
Rating 0-4: Investment grade			81,386,092	–	81,386,092	–	–
Rating 5-6: Moderate risk			–	–	–	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			86,289,545	4,903,453	81,386,092	–	–
Less: Provision for impairment			41,396	–	41,396	–	–
Net carrying amount	29 & 30	321 & 322	86,248,149	4,903,453	81,344,696	–	–
Financial assets at amortised cost – Loans and advances to other customers							
Government Securities (Risk free investments)			–	–	–	–	–
Rating 0-4: Investment grade (*)			892,541,692	–	813,649,547	63,856,481	15,035,664
Rating 5-6: Moderate risk			261,246,029	–	175,437,915	48,503,984	37,304,130
Rating 7-8: High risk			54,775,052	–	4,597,857	15,841,589	34,335,606
Rating 9: Extreme risk			56,996,530	–	72,691	35,648	56,888,191
Gross carrying amount			1,265,559,303	–	993,758,010	128,237,702	143,563,591
Less: Provision for impairment			89,199,332	–	8,800,339	17,182,146	63,216,847
Net carrying amount	33	326	1,176,359,971	–	984,957,671	111,055,556	80,346,744
Financial assets at amortised cost – Debt and other financial instruments							
Government Securities (Risk free investments)			553,963,008	553,963,008	–	–	–
Rating 0-4: Investment grade			7,248,096	–	7,248,096	–	–
Rating 5-6: Moderate risk			184,464,585	–	–	184,464,585	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			152,870	–	–	–	152,870
Gross carrying amount			745,828,559	553,963,008	7,248,096	184,464,585	152,870
Less: Provision for impairment			96,088,151	–	13,698	95,921,583	152,870
Net carrying amount	34	330	649,740,408	553,963,008	7,234,398	88,543,002	–

As at December 31, 2023				Carrying amount Rs. '000	Not subject to ECL Rs. '000	Subject to		
	Note	Page No.				12-month ECL (Stage 1) Rs. '000	Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000
Financial assets measured at fair value through other comprehensive income								
Government securities (Risk free investments)				286,826,782	286,826,782	–	–	–
Rating 0-4: Investment grade				196,227	196,227	–	–	–
Rating 5-6: Moderate risk				–	–	–	–	–
Rating 7-8: High risk				–	–	–	–	–
Rating 9: Extreme risk				–	–	–	–	–
Gross carrying amount				287,023,009	287,023,009	–	–	–
Less: Provision for impairment				–	–	–	–	–
Net carrying amount	35	332		287,023,009	287,023,009	–	–	–
Off-balance sheet (**)								
Contingent liabilities and commitments								
(i) Lending commitments								
Grade 0-6: Investment grade to moderate risk				157,205,333	–	154,273,236	2,611,066	321,031
Grade 7-9: High risk to extreme risk				–	–	–	–	–
Gross carrying amount				157,205,333	–	154,273,236	2,611,066	321,031
(ii) Contingencies								
Grade 0-6: Investment grade to moderate risk				507,169,205	314,206,289	190,601,643	–	2,361,273
Grade 7-9: High risk to extreme risk				–	–	–	–	–
Gross carrying amount				507,169,205	314,206,289	190,601,643	–	2,361,273
Total contingent liabilities and commitments	57	377		664,374,538	314,206,289	344,874,879	2,611,066	2,682,304
Provision for impairment	57.3 (b)	378		6,082,760	–	2,601,480	915,546	2,565,734

As at December 31, 2022		Carrying amount	Not subject to ECL	Subject to		
				12-month ECL (Stage 1)	Lifetime ECL – not credit impaired (Stage 2)	Lifetime ECL – credit impaired (Stage 3)
Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents						
		47,104,381	47,104,381	–	–	–
		102,265,027	–	102,265,027	–	–
		37,893	–	37,893	–	–
		–	–	–	–	–
		–	–	–	–	–
		149,407,301	47,104,381	102,302,920	–	–
		13,690	–	13,690	–	–
	28 320	149,393,611	47,104,381	102,289,230	–	–
Placements with Central Bank and other Banks						
		–	–	–	–	–
		95,933,756	–	95,933,756	–	–
		–	–	–	–	–
		–	–	–	–	–
		–	–	–	–	–
		95,933,756	–	95,933,756	–	–
		34,111	–	34,111	–	–
	30 321	95,899,645	–	95,899,645	–	–
Financial assets at amortised cost – Loans and advances to other customers						
		–	–	–	–	–
		841,623,725	–	736,637,671	92,289,248	12,696,806
		281,028,100	–	190,778,400	66,742,012	23,507,688
		43,026,390	–	4,057,941	14,346,136	24,622,313
		53,989,028	–	35,675	41,305	53,912,048
		1,219,667,243	–	931,509,687	173,418,701	114,738,855
		89,224,664	–	14,598,587	28,248,676	46,377,401
	33 326	1,130,442,579	–	916,911,100	145,170,025	68,361,454
Financial assets at amortised cost – Debt and other financial instruments						
		564,355,883	564,355,883	–	–	–
		7,642,694	–	7,642,694	–	–
		224,468,893	–	–	224,468,893	–
		–	–	–	–	–
		152,870	–	–	–	152,870
		796,620,340	564,355,883	7,642,694	224,468,893	152,870
		70,685,041	–	1,407	70,530,764	152,870
	34 330	725,935,299	564,355,883	7,641,287	153,938,129	–

As at December 31, 2022		Carrying amount	Not subject to ECL	Subject to		
				12-month ECL (Stage 1)	Lifetime ECL – not credit impaired (Stage 2)	Lifetime ECL – credit impaired (Stage 3)
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income						
Government securities (Risk free investments)			116,840,307	116,840,307	–	–
Rating 0-4: Investment grade			215,933	215,933	–	–
Rating 5-6: Moderate risk			–	–	–	–
Rating 7-8: High risk			–	–	–	–
Rating 9: Extreme risk			–	–	–	–
Gross carrying amount			117,056,240	117,056,240	–	–
Less: Provision for impairment			–	–	–	–
Net carrying amount	35	332	117,056,240	117,056,240	–	–
Off-balance sheet (**)						
Contingent liabilities and commitments						
(i) Lending commitments						
Grade 0-6: Investment grade to moderate risk			132,065,118	–	127,279,327	4,725,389
Grade 7-9: High risk to extreme risk			–	–	–	–
Gross carrying amount			132,065,118	–	127,279,327	4,725,389
(ii) Contingencies						
Grade 0-6: Investment grade to moderate risk			415,235,523	198,809,096	212,869,228	1,215,048
Grade 7-9: High risk to extreme risk			–	–	–	–
Gross carrying amount			415,235,523	198,809,096	212,869,228	1,215,048
Total contingent liabilities and commitments	57	377	547,300,641	198,809,096	340,148,555	5,940,437
Provision for impairment	57.3 (b)	378	7,887,687	–	3,832,621	1,605,681

(*) Investment grade also include Cash and Gold.

(**) Amounts reported above does not include capital commitments by the Bank disclosed in the Note 57 on "Contingent Liabilities and Commitments" on pages 377 to 378.

Financial assets at amortised cost – Loans and advances to other customers and contingent liabilities and commitments categorised based on Bank's internal risk rating and other financial assets are categorised based on external credit rating of respective counterparties.

66.1.1 (b) Credit exposure movement – ECL stage-wise

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

	Carrying amount	Not subject to ECL	Subject to		
			12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)
			Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents					
Gross carrying amount as at January 01, 2023	149,407,301	47,104,381	102,302,920	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	33,385,999	7,300,447	26,085,552	–	–
Financial assets derecognised or repaid (excluding write-offs)	(16,557,741)	–	(16,557,741)	–	–
Foreign exchange adjustments	(8,401,687)	(921,427)	(7,480,260)	–	–
As at December 31, 2023	157,833,872	53,483,401	104,350,471	–	–
Placements with Central Bank and other Banks					
Gross carrying amount as at January 01, 2023	95,933,756	–	95,933,756	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	96,243,281	4,903,453	91,339,828	–	–
Financial assets derecognised or repaid (excluding write-offs)	(95,470,816)	–	(95,470,816)	–	–
Foreign exchange adjustments	(10,416,676)	–	(10,416,676)	–	–
As at December 31, 2023	86,289,545	4,903,453	81,386,092	–	–
Financial assets at amortised cost – Loans and advances to other customers					
Gross carrying amount as at January 01, 2023	1,219,667,243	–	931,509,687	173,418,701	114,738,855
Transfer to Stage 1	–	–	35,205,930	(34,139,806)	(1,066,124)
Transfer to Stage 2	–	–	(39,142,250)	41,575,419	(2,433,169)
Transfer to Stage 3	–	–	(8,799,730)	(34,568,281)	43,368,011
New assets originated or purchased	664,959,319	–	611,064,692	43,197,911	10,696,716
Financial assets derecognised or repaid (excluding write-offs)	(594,782,140)	–	(494,795,481)	(72,016,924)	(27,969,735)
Write-offs (*)	(1,547,840)	–	–	–	(1,547,840)
Foreign exchange adjustments	(58,403,621)	–	(49,894,872)	(4,205,628)	(4,303,121)
Changes to contractual cash flows due to modifications not resulting in derecognition	35,666,342	–	8,610,034	14,976,310	12,079,998
As at December 31, 2023	1,265,559,303	–	993,758,010	128,237,702	143,563,591
Financial assets at amortised cost – Debt and other financial instruments					
Gross carrying amount as at January 01, 2023	796,620,340	564,355,883	7,642,694	224,468,893	152,870
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	106,360,917	95,775,935	2,400	10,582,582	–
Financial assets derecognised or repaid (excluding write-offs)	(125,466,025)	(97,489,436)	(396,463)	(27,580,126)	–
Reclassification adjustment	–	–	–	–	–
Foreign exchange adjustments	(31,686,673)	(8,679,374)	(535)	(23,006,764)	–
As at December 31, 2023	745,828,559	553,963,008	7,248,096	184,464,585	152,870

	Carrying amount	Not subject to ECL	Subject to		
			12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)
			Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income					
Gross carrying amount as at January 01, 2023	117,056,240	117,056,240	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	283,412,010	283,412,010	–	–	–
Financial assets derecognised or repaid (excluding write-offs)	(116,143,119)	(116,143,119)	–	–	–
Reclassification adjustment	–	–	–	–	–
Foreign exchange adjustments	(6,227)	(6,227)	–	–	–
Change in fair value due to remeasurement	2,704,105	2,704,105	–	–	–
As at December 31, 2023	287,023,009	287,023,009	–	–	–
Contingent liabilities and commitments					
Gross carrying amount as at January 01, 2023	547,300,641	198,809,096	340,148,555	5,940,437	2,402,553
Transfer to Stage 1	–	–	4,650,403	(4,650,362)	(41)
Transfer to Stage 2	–	–	(1,268,282)	1,275,456	(7,174)
Transfer to Stage 3	–	–	(67,724)	(122,474)	190,198
Net change in new assets originated or purchased/financial assets derecognised or repaid (excluding write-offs)	117,073,897	115,397,193	1,411,927	168,009	96,768
As at December 31, 2023	664,374,538	314,206,289	344,874,879	2,611,066	2,682,304

(*) Due to enforcement activities, loans and advances amounting to Rs. 23.643 Mn. was written off during the year.

	Carrying amount	Not subject to ECL	Subject to		
			12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents					
Gross carrying amount as at January 01, 2022	68,085,631	30,276,356	37,809,275	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	71,048,721	14,496,264	56,552,457	–	–
Financial assets derecognised or repaid (excluding write-offs)	(13,450,415)	–	(13,450,415)	–	–
Foreign exchange adjustments	23,723,364	2,331,761	21,391,603	–	–
As at December 31, 2022	149,407,301	47,104,381	102,302,920	–	–
Placements with Central Bank and other Banks					
Gross carrying amount as at January 01, 2022	24,696,280	–	24,696,280	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	86,199,464	–	86,199,464	–	–
Financial assets derecognised or repaid (excluding write-offs)	(30,635,926)	–	(30,635,926)	–	–
Foreign exchange adjustments	15,673,938	–	15,673,938	–	–
As at December 31, 2022	95,933,756	–	95,933,756	–	–
Financial assets at amortised cost – Loans and advances to other customers					
Gross carrying amount as at January 01, 2022	1,078,685,128	–	845,769,327	153,840,165	79,075,636
Transfer to Stage 1	–	–	46,335,517	(45,139,231)	(1,196,286)
Transfer to Stage 2	–	–	(55,962,595)	61,299,234	(5,336,639)
Transfer to Stage 3	–	–	(7,304,423)	(25,793,481)	33,097,904
New assets originated or purchased	527,930,404	–	477,186,436	43,262,493	7,481,475
Financial assets derecognised or repaid (excluding write-offs)	(607,652,181)	–	(530,515,444)	(59,019,458)	(18,117,279)
Write-offs (*)	(3,238,797)	–	–	–	(3,238,797)
Foreign exchange adjustments	178,832,788	–	154,073,420	17,785,612	6,973,756
Changes to contractual cash flows due to modifications not resulting in derecognition	45,109,901	–	1,927,449	27,183,367	15,999,085
As at December 31, 2022	1,219,667,243	–	931,509,687	173,418,701	114,738,855
Financial assets at amortised cost – Debt and other financial instruments					
Gross carrying amount as at January 01, 2022	375,085,659	284,725,818	90,206,971	–	152,870
Transfer to Stage 1	–	–	(83,526,928)	83,526,928	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	131,415,907	112,978,205	1,273,486	17,164,216	–
Financial assets derecognised or repaid (excluding write-offs)	(129,343,017)	(51,366,652)	(311,676)	(77,664,689)	–
Reclassification adjustment	312,906,219	201,437,745	–	111,468,474	–
Foreign exchange adjustments	106,555,572	16,580,767	841	89,973,964	–
As at December 31, 2022	796,620,340	564,355,883	7,642,694	224,468,893	152,870

	Carrying amount	Not subject to ECL	Subject to		
			12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income					
Gross carrying amount as at January 01, 2022	340,472,987	266,081,811	74,391,176	–	–
Transfer to Stage 1	–	–	(74,391,176)	74,391,176	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	103,436,258	103,436,258	–	–	–
Financial assets derecognised or repaid (excluding write-offs)	(65,513,843)	(65,513,843)	–	–	–
Reclassification adjustment	(311,439,672)	(201,437,745)	–	(110,001,927)	–
Foreign exchange adjustments	35,622,732	11,981	–	35,610,751	–
Change in fair value due to remeasurement	14,477,778	14,477,778	–	–	–
As at December 31, 2022	117,056,240	117,056,240	–	–	–
Contingent liabilities and commitments					
Gross carrying amount as at January 01, 2022	680,152,979	268,010,348	403,336,240	5,457,006	3,349,385
Transfer to Stage 1	–	–	2,741,444	(2,246,708)	(494,736)
Transfer to Stage 2	–	–	(6,805,111)	6,897,445	(92,334)
Transfer to Stage 3	–	–	(36,075)	(62,845)	98,920
Net change in New assets originated or purchased/Financial assets derecognised or repaid (excluding write-offs)	(132,852,338)	(69,201,252)	(59,087,943)	(4,104,461)	(458,682)
As at December 31, 2022	547,300,641	198,809,096	340,148,555	5,940,437	2,402,553

(*) Due to enforcement activities, loans and advances amounting to Rs. 16.353 Mn. was written off during the year.

66.1.1 (c) Provision for impairment (ECL) movement

The following tables show reconciliations from the opening to closing balance of the provision for impairment by class of financial instrument.

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Cash and cash equivalents						
Provision for impairment (ECL) as at January 01, 2023			13,690	–	–	13,690
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			11,162	–	–	11,162
New assets originated or purchased			851	–	–	851
Financial assets derecognised or repaid (excluding write-offs)			(9,351)	–	–	(9,351)
Foreign exchange adjustments			(1,767)	–	–	(1,767)
As at December 31, 2023	28.1	320	14,585	–	–	14,585
Placements with Central Bank and other Banks						
Provision for impairment (ECL) as at January 01, 2023			34,111	–	–	34,111
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			–	–	–	–
New assets originated or purchased			41,396	–	–	41,396
Financial assets derecognised or repaid (excluding write-offs)			(30,009)	–	–	(30,009)
Foreign exchange adjustments			(4,102)	–	–	(4,102)
As at December 31, 2023	30.1	322	41,396	–	–	41,396
Financial assets at amortised cost – Loans and advances to other customers						
Provision for impairment (ECL) as at January 01, 2023			14,598,587	28,248,676	46,377,401	89,224,664
Transfer to Stage 1			5,766,056	(5,386,117)	(379,939)	–
Transfer to Stage 2			(1,657,684)	2,655,767	(998,083)	–
Transfer to Stage 3			(624,552)	(6,728,316)	7,352,868	–
Net remeasurement of impairment			(7,136,372)	3,029,924	35,057,737	30,951,289
New assets originated or purchased			3,675,716	3,137,717	3,219,619	10,033,052
Financial assets derecognised or repaid (excluding write-offs)			(5,399,869)	(9,994,666)	(26,860,631)	(42,255,166)
Write-offs and recoveries			–	–	69,927	69,927
Foreign exchange adjustments			(494,257)	(351,311)	(1,526,233)	(2,371,801)
Unwinding of discount			–	–	(3,369,908)	(3,369,908)
Other movements			–	–	(43,269)	(43,269)
Changes to contractual cash flows due to modifications not resulting in derecognition			72,714	2,570,472	4,317,358	6,960,544
As at December 31, 2023	33.2 (b)	328	8,800,339	17,182,146	63,216,847	89,199,332

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Financial assets at amortised cost – Debt and other financial instruments						
Provision for impairment (ECL) as at January 01, 2023			1,407	70,530,764	152,870	70,685,041
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			12,427	29,763,036	–	29,775,463
New assets originated or purchased			–	5,499,124	–	5,499,124
Financial assets derecognised or repaid (excluding write-offs)			(136)	–	–	(136)
Foreign exchange adjustments			–	(8,439,271)	–	(8,439,271)
Reclassification adjustment			–	(1,432,070)	–	(1,432,070)
As at December 31, 2023	34.1 (b)	331	13,698	95,921,583	152,870	96,088,151
Financial assets measured at fair value through other comprehensive income						
Provision for impairment (ECL) as at January 01, 2023			–	–	–	–
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			–	–	–	–
New assets originated or purchased			–	–	–	–
Financial assets derecognised or repaid (excluding write-offs)			–	–	–	–
Foreign exchange adjustments			–	–	–	–
Reclassification adjustment			–	–	–	–
As at December 31, 2023	35.2	333	–	–	–	–
Contingent liabilities and commitments						
Provision for impairment (ECL) as at January 01, 2023			3,832,621	1,605,681	2,449,385	7,887,687
Transfer to Stage 1			503,936	(500,860)	(3,076)	–
Transfer to Stage 2			(48,693)	48,968	(275)	–
Transfer to Stage 3			(721)	(8,860)	9,581	–
Net remeasurement of impairment			(636,785)	817,609	41,354	222,178
New assets originated or purchased			1,695,666	484,602	174,145	2,354,413
Financial assets derecognised or repaid (excluding write-offs)			(2,598,529)	(1,506,230)	(105,380)	(4,210,139)
Foreign exchange adjustments			(146,015)	(25,364)	–	(171,379)
As at December 31, 2023	57.3 (b)	378	2,601,480	915,546	2,565,734	6,082,760

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Cash and cash equivalents						
Provision for impairment (ECL) as at January 01, 2022			7,555	–	–	7,555
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			2,551	–	–	2,551
New assets originated or purchased			9,917	–	–	9,917
Financial assets derecognised or repaid (excluding write-offs)			(9,547)	–	–	(9,547)
Foreign exchange adjustments			3,214	–	–	3,214
As at December 31, 2022	28.1	320	13,690	–	–	13,690
Placements with Central Bank and other Banks						
Provision for impairment (ECL) as at January 01, 2022			5,930	–	–	5,930
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
New assets originated or purchased			34,111	–	–	34,111
Financial assets derecognised or repaid (excluding write-offs)			(9,149)	–	–	(9,149)
Foreign exchange adjustments			3,219	–	–	3,219
As at December 31, 2022	30.1	322	34,111	–	–	34,111
Financial assets at amortised cost – Loans and advances to other customers						
Provision for impairment (ECL) as at January 01, 2022			10,027,938	18,973,409	35,065,201	64,066,548
Transfer to Stage 1			6,471,716	(5,943,868)	(527,848)	–
Transfer to Stage 2			(1,857,039)	3,461,046	(1,604,007)	–
Transfer to Stage 3			(109,841)	(2,897,747)	3,007,588	–
Net remeasurement of impairment			(2,376,706)	8,918,073	8,487,567	15,028,934
New assets originated or purchased			4,422,368	6,074,364	1,925,063	12,421,795
Financial assets derecognised or repaid (excluding write-offs)			(4,270,370)	(5,947,674)	(5,243,271)	(15,461,315)
Write-offs and recoveries			–	–	(2,775,787)	(2,775,787)
Foreign exchange adjustments			2,181,334	1,246,428	3,581,147	7,008,909
Unwinding of discount			–	–	(1,216,457)	(1,216,457)
Other movements			–	–	179,665	179,665
Changes to contractual cash flows due to modifications not resulting in derecognition			109,187	4,364,645	5,498,540	9,972,372
As at December 31, 2022	33.2 (b)	328	14,598,587	28,248,676	46,377,401	89,224,664

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Financial assets at amortised cost – Debt and other financial instruments						
Provision for impairment (ECL) as at January 01, 2022			5,514,900	–	152,870	5,667,770
Transfer to Stage 1			(5,514,616)	5,514,616	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			310	48,569,835	–	48,570,145
New assets originated or purchased			964	3,906,890	–	3,907,854
Financial assets derecognised or repaid (excluding write-offs)			(151)	(5,343,892)	–	(5,344,043)
Foreign exchange adjustments			–	10,533,664	–	10,533,664
Reclassification adjustment			–	7,349,651	–	7,349,651
As at December 31, 2022	34.1 (b)	331	1,407	70,530,764	152,870	70,685,041
Financial assets measured at fair value through other comprehensive income						
Provision for impairment (ECL) as at January 01, 2022			5,009,649	–	–	5,009,649
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			–	–	–	–
New assets originated or purchased			–	–	–	–
Financial assets derecognised or repaid (excluding write-offs)			–	–	–	–
Foreign exchange adjustments			2,340,002	–	–	2,340,002
Reclassification adjustment			(7,349,651)	–	–	(7,349,651)
As at December 31, 2022	35.2	333	–	–	–	–
Contingent liabilities and commitments						
Provision for impairment (ECL) as at January 01, 2022			2,082,029	814,948	2,459,923	5,356,900
Transfer to Stage 1			286,298	(221,211)	(65,087)	–
Transfer to Stage 2			(114,454)	117,751	(3,297)	–
Transfer to Stage 3			(471)	(24,226)	24,697	–
Net remeasurement of impairment			(423,302)	82,964	(2,392)	(342,730)
New assets originated or purchased			2,774,946	1,394,534	101,354	4,270,834
Financial assets derecognised or repaid (excluding write-offs)			(966,417)	(662,532)	(111,089)	(1,740,038)
Foreign exchange adjustments			193,992	103,453	45,276	342,721
As at December 31, 2022	57.3 (b)	378	3,832,621	1,605,681	2,449,385	7,887,687

66.1.1 (d) Financial assets recognised through profit or loss measured at fair value

Fair value through profit or loss investments in debt and equity securities

The table below sets out the credit quality of debt and equity securities classified through profit or loss measured at fair value. Debt securities include investments made by the Bank in Government Securities of Sri Lanka and Bangladesh. The analysis of equity securities is based on Fitch Rating Nomenclature or Equivalent Ratings, where applicable.

	Note	Page No.	2023 Rs. '000	2022 Rs. '000
Debt instruments at FVTPL				
Government securities – Sri Lanka				
Treasury bills			–	–
Treasury bonds			4,216,063	3,643,078
Government securities – Bangladesh				
Treasury bills			22,678,417	11,703,803
Treasury bonds			–	7,501,370
Subtotal – Debt instruments at FVTPL	32.1	323	26,894,480	22,848,251
Equity instruments at FVTPL				
Rated AAA			150,989	69,357
Rated AA+ to AA-			15,300	72,515
Rated A+ to A			1,922,697	1,553,097
Rated BBB+			8,463	5,628
Unrated			457,724	324,209
Subtotal – Equity instruments at FVTPL	32.2	323	2,555,173	2,024,806
Total	32	323	29,449,653	24,873,057

Credit exposure arising from derivative transactions

Credit risk arising from derivative financial instruments at any time is limited to those with positive fair values, as reported in the Statement of Financial Position. With gross settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the counterparty failing to deliver the value.

The tables below show analysis of credit exposures arising from derivative financial assets and liabilities:

As at December 31, 2023	Derivative type							
	Forward		SWAPS		Spot		Total	
	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000
Derivative financial assets (Note 1)	57,311,565	1,840,608	53,978,930	5,380,997	5,796,233	4,879	117,086,728	7,226,484
Derivative financial liabilities (Note 2)	42,779,384	(838,315)	72,398,424	(1,471,733)	6,072,529	(9,161)	121,250,337	(2,319,209)
Note 1								
Derivative financial assets by counterparty type								
Banks	11,374,690	117,957	53,492,555	5,371,533	5,796,233	3,390	70,663,478	5,492,880
Other customers	45,936,875	1,722,651	486,375	9,464	–	1,489	46,423,250	1,733,604
Total	57,311,565	1,840,608	53,978,930	5,380,997	5,796,233	4,879	117,086,728	7,226,484
Note 2								
Derivative financial liabilities by counterparty type								
Banks	3,891,000	(43,457)	71,148,424	(1,420,213)	6,072,529	(4,356)	81,111,953	(1,468,026)
Other customers	38,888,384	(794,858)	1,250,000	(51,520)	–	(4,805)	40,138,384	(851,183)
Total	42,779,384	(838,315)	72,398,424	(1,471,733)	6,072,529	(9,161)	121,250,337	(2,319,209)

As at December 31, 2022	Derivative type							
	Forward		SWAPS		Spot		Total	
	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000
Derivative financial assets (Note 1)	30,653,862	1,349,719	67,008,905	6,994,807	627,386	565	98,290,153	8,345,091
Derivative financial liabilities (Note 2)	10,700,174	(373,965)	19,637,659	(2,505,643)	99,600	(1,059)	30,437,433	(2,880,667)
Note 1								
Derivative financial assets by counterparty type								
With Banks	734,000	11,409	64,806,905	6,785,681	627,386	59	66,168,291	6,797,149
Other customers	29,919,862	1,338,310	2,202,000	209,126	–	506	32,121,862	1,547,942
Total	30,653,862	1,349,719	67,008,905	6,994,807	627,386	565	98,290,153	8,345,091
Note 2								
Derivative financial liabilities by counterparty type								
With Banks	183,500	(777)	14,496,500	(951,449)	99,600	(976)	14,779,600	(953,202)
Other customers	10,516,674	(373,188)	5,141,159	(1,554,194)	–	(83)	15,657,833	(1,927,465)
Total	10,700,174	(373,965)	19,637,659	(2,505,643)	99,600	(1,059)	30,437,433	(2,880,667)

66.1.2 Credit-impaired financial assets

Reconciliation of changes in the net carrying amount of lifetime ECL credit impaired (Stage 3) loans and advances as detailed below:

	2023 Rs. '000	2022 Rs. '000
Stage 3 loans and advances to other customers as at January 01,	68,361,454	44,010,435
Newly classified as impaired loans and advances during the year	39,885,302	35,938,834
Net change in already impaired loans and advances during the year	(10,827,227)	(3,775,606)
Net payment, write-off and recoveries and other movements during the year	(17,072,785)	(7,812,209)
Impaired loans and advances to customers as at December 31,	80,346,744	68,361,454

Refer Note 18 for methodology of impairment assessment, on "Impairment charges on loans and advances to other customers" on pages 306 to 309.

Details of provision for impairment for loans and advances to other customers, are detailed in Note 33 on page 326.

Set out below is an analysis of the gross and net carrying amounts of life time ECL credit impaired (Stage 3) loans and advances to other customers by risk rating.

As at December 31,	2023		2022	
	Gross carrying amount Rs. '000	Net carrying amount Rs. '000	Gross carrying amount Rs. '000	Net carrying amount Rs. '000
Rating 0-4: Investment grade	15,035,664	10,165,762	12,696,806	10,561,921
Rating 5-6: Moderate risk	37,304,130	25,057,434	23,507,688	15,430,726
Rating 7-8: High risk	34,335,606	19,713,569	24,622,313	16,284,152
Rating 9: Extreme risk	56,888,191	25,409,979	53,912,048	26,084,655
Total	143,563,591	80,346,744	114,738,855	68,361,454

66.1.3 Sensitivity of impairment provision on financial assets

The Bank has estimated the impairment provision on loans and advances to other customers, off balance sheet credit facilities and FCY denominated Government securities as at December 31, 2023, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The following table demonstrates the sensitivity of the impairment provision on loans and advances to other customers, off balance sheet credit facilities and FCY denominated Government securities of the Bank as at December 31, 2023, to a feasible change in impairment parameters.

Impairment parameters	Sensitivity effect on Statement of Financial Position [Increase/(decrease) in impairment provision]				Sensitivity effect on Income Statement Rs. '000
	Stage 1	Stage 2	Stage 3	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Sensitivity of impairment provision on loans and advances to other customers and off balance sheet credit facilities					
1% increase in Marginal PD add on factor across all age buckets	111,554	128,116	–	239,670	(239,670)
1% decrease in Marginal PD add on factor across all age buckets	(111,554)	(128,116)	–	(239,670)	239,670
5% increase in LGD	1,729,424	2,212,697	3,265,198	7,207,319	(7,207,319)
5% decrease in LGD (*)	(1,378,741)	(2,205,912)	(3,256,124)	(6,840,777)	6,840,777
Probability weighted forward looking macro economic indicators (**)					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(36,847)	(40,841)	–	(77,688)	77,688
– Base case 10% decrease, worst case 5% increase and best case 5% increase	36,847	40,841	–	77,688	(77,688)
Sensitivity of impairment provision on foreign currency denominated government securities					
2% increase in loss rate	N/A	3,689,292	N/A	3,689,292	(3,689,292)
2% decrease in loss rate	N/A	(3,689,292)	N/A	(3,689,292)	3,689,292

(*) LGD decrease is capped at 0%, if applicable.

(**) Please refer Note 18 for explanation on forward looking Macro Economic Indicators.

66.1.4 Collateral held

Loan-to-value ratio of residential mortgage lending

The table below stratifies eligible credit exposures by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral, which is used for the computation of Capital Adequacy Ratios. The value of the collateral for residential mortgage loan is based on the forced sale value determined by professional valuers.

As at December 31,	2023		2022	
	Rs. '000	Composition (%)	Rs. '000	Composition (%)
LTV ratio				
Less than 50%	19,593,510	31.29	18,404,643	26.38
51% – 70%	15,856,388	25.33	17,607,065	25.23
71% – 90%	16,215,557	25.90	17,951,133	25.73
91% – 100%	1,285,407	2.05	1,798,987	2.58
More than 100% (*)	9,658,981	15.43	14,008,690	20.08
Total	62,609,843	100.00	69,770,518	100.00

(*) LTV ratio of more than 100% has been arisen due to subsequent disbursements made to the borrower after the initial valuation of the property (the denominator).

The total amount mentioned above does not tally to the total of residential mortgage lending by the Bank, as some of the residential mortgage lending are not eligible to apply preferential risk weight used in the calculation of Capital Adequacy Ratio.

Assets obtained by taking the possession of collaterals

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

66.1.5 Concentration of credit risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e. single borrower/group, industry sectors, product, counterparty and country limits etc.), the Bank ensures that an acceptable level of

risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Credit Policy Committee (CPC), EIRMC and BIRMC to capture the developments in the market, political and economic environment both locally and globally to strengthen the dynamic portfolio management practices

and to provide an early warning signals on possible credit concentrations.

The maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at the reporting date, as per the industry sector and by geographical region of financial assets is given below:

66.1.5 (a) Industry-wise distribution

As at December 31, 2023	Agriculture and fishing	Manufacturing	Tourism	Transportation and storage	Construction
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Balances with central banks	-	-	-	-	-
Placements with banks	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-
Derivative financial assets	9,206	52,083	-	-	-
Financial assets recognised through profit or loss – Measured at fair value	-	318,814	61,667	10,028	12,900
Government securities	-	-	-	-	-
Quoted equity securities	-	318,814	61,667	10,028	12,900
Financial assets at AC – Loans and advances to other customers (*)	112,936,178	170,043,776	60,098,055	24,626,078	39,881,774
Financial assets at AC – Debt and other financial instruments	-	5,320,043	-	-	-
Government securities	-	-	-	-	-
Other investments	-	5,320,043	-	-	-
Financial assets measured at fair value through other comprehensive income	-	11,570	-	-	125,516
Government securities	-	-	-	-	-
Equity securities	-	11,570	-	-	125,516
Total	112,945,384	175,746,286	60,159,722	24,636,106	40,020,190

As at December 31, 2022	Agriculture and fishing	Manufacturing	Tourism	Transportation and storage	Construction
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Balances with central banks	-	-	-	-	-
Placements with banks	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-
Derivative financial assets	-	192,224	-	-	-
Financial assets recognised through profit or loss – Measured at fair value	-	217,799	52,749	-	8,081
Government securities	-	-	-	-	-
Quoted equity securities	-	217,799	52,749	-	8,081
Financial assets at AC – Loans and advances to other customers (*)	119,101,284	138,081,651	69,255,174	19,555,677	45,902,727
Financial assets at AC – Debt and other financial instruments	-	5,332,844	-	-	-
Government securities	-	-	-	-	-
Other investments	-	5,332,844	-	-	-
Financial assets measured at fair value through other comprehensive income	-	10,284	-	-	140,282
Government securities	-	-	-	-	-
Equity securities	-	10,284	-	-	140,282
Total	119,101,284	143,834,802	69,307,923	19,555,677	46,051,090

(*) Loans and advances to other customers referred above do not agree with the Note 33.1 (c) on page 328 due to impairment provisions.

Infrastructure development	Wholesale and retail trade	Information technology and communication services	Financial services	Professional, scientific and technical activities	Arts, entertainment and recreation	Education	Healthcare, social services and support services	Consumption and other	Lending to overseas entities	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
-	-	-	157,819,287	-	-	-	-	-	-	157,819,287
-	-	-	52,817,502	-	-	-	-	-	-	52,817,502
-	-	-	81,344,696	-	-	-	-	-	-	81,344,696
-	-	-	31,148,729	-	-	-	-	-	-	31,148,729
-	3,971	168,958	6,964,606	-	-	-	1,774	25,886	-	7,226,484
-	108,279	49,131	28,825,640	-	-	-	63,194	-	-	29,449,653
-	-	-	26,894,480	-	-	-	-	-	-	26,894,480
-	108,279	49,131	1,931,160	-	-	-	63,194	-	-	2,555,173
28,284,378	239,439,240	17,916,337	77,875,533	22,901,344	1,069,275	3,694,754	21,044,216	166,143,317	190,405,716	1,176,359,971
-	80,282	-	644,340,083	-	-	-	-	-	-	649,740,408
-	-	-	642,506,010	-	-	-	-	-	-	642,506,010
-	80,282	-	1,834,073	-	-	-	-	-	-	7,234,398
-	-	-	286,877,303	8,620	-	-	-	-	-	287,023,009
-	-	-	286,826,782	-	-	-	-	-	-	286,826,782
-	-	-	50,521	8,620	-	-	-	-	-	196,227
28,284,378	239,631,772	18,134,426	1,368,013,379	22,909,964	1,069,275	3,694,754	21,109,184	166,169,203	190,405,716	2,472,929,739

Infrastructure development	Wholesale and retail trade	Information technology and communication services	Financial services	Professional, scientific and technical activities	Arts, entertainment and recreation	Education	Healthcare, social services and support services	Consumption and other	Lending to overseas entities	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
-	-	-	149,393,611	-	-	-	-	-	-	149,393,611
-	-	-	66,493,499	-	-	-	-	-	-	66,493,499
-	-	-	95,899,645	-	-	-	-	-	-	95,899,645
-	-	-	1,517,308	-	-	-	-	-	-	1,517,308
-	-	698	8,152,169	-	-	-	-	-	-	8,345,091
-	36,033	55,739	24,468,610	-	-	-	34,046	-	-	24,873,057
-	-	-	22,848,251	-	-	-	-	-	-	22,848,251
-	36,033	55,739	1,620,359	-	-	-	34,046	-	-	2,024,806
29,344,504	236,929,496	16,654,877	94,450,017	26,159,612	1,372,606	3,304,916	20,536,024	122,617,256	187,176,758	1,130,442,579
-	80,257	-	720,522,198	-	-	-	-	-	-	725,935,299
-	-	-	718,294,012	-	-	-	-	-	-	718,294,012
-	80,257	-	2,228,186	-	-	-	-	-	-	7,641,287
-	-	-	116,897,054	8,620	-	-	-	-	-	117,056,240
-	-	-	116,840,307	-	-	-	-	-	-	116,840,307
-	-	-	56,747	8,620	-	-	-	-	-	215,933
29,344,504	237,045,786	16,711,314	1,277,794,111	26,168,232	1,372,606	3,304,916	20,570,070	122,617,256	187,176,758	2,319,956,329

66.1.5 (b) Geographical distribution of loans and advances

The Western Province has recorded a higher percentage of lending based on geographical distribution of the Bank's lending portfolio. It has accounted for 78% (approximately) of total advances portfolio of the Bank (excluding Bangladesh operations) as at

December 31, 2023. Although, Western Province is attracted with highest credit concentration, we believe that a sizable portion of these lending has been utilised to facilitate industries scattered around the country. For example, most of the

large corporates which have island-wide operations are being accommodated by the Bank's branches and corporate banking division located in the Western Province thereby reflecting a fairly diversified geographical concentration as given below.

As at December 31, 2023

Country/province	Loans and advances by product											
	Overdrafts Rs. '000	Trade finance Rs. '000	Lease receivables Rs. '000	Credit cards Rs. '000	Pawning Rs. '000	Staff loans Rs. '000	Housing loans Rs. '000	Personal loans Rs. '000	Long-term loans Rs. '000	Short-term loans Rs. '000	Bills of exchange Rs. '000	Total Rs. '000
Sri Lanka												
Central	11,394,342	498,590	1,744,549	81,665	1,414,400	4,596	4,205,179	1,844,641	20,150,480	2,561,462	63,102	43,963,006
Eastern	1,010,877	288,677	1,605,541	13,256	1,584,837	2,896	953,557	994,433	4,292,289	276,294	-	11,022,657
North Central	777,539	59,153	1,790,687	17,063	670,320	688	785,900	1,605,512	7,745,883	639,907	-	14,092,652
Northern	5,870,778	203,510	2,768,344	57,651	2,402,932	7,552	3,744,929	2,462,316	14,229,292	2,985,902	-	34,733,206
North Western	2,342,421	121,222	2,607,277	21,752	12,405,281	7,538	1,434,506	1,362,420	6,519,014	379,518	-	27,200,949
Sabaragamuwa	5,153,478	439,024	2,041,730	36,339	868,482	6,777	2,936,127	1,363,930	12,877,924	1,558,543	-	27,282,354
Southern	5,457,265	2,663,598	3,481,732	84,818	3,214,542	10,823	5,451,821	3,021,224	16,689,198	4,924,271	122,151	45,121,443
Uva	918,143	-	958,577	15,878	388,951	3,227	1,597,162	804,224	5,955,598	269,911	-	10,911,671
Western	74,340,552	79,898,502	16,471,133	17,089,454	11,914,454	12,729,585	47,625,028	19,181,243	311,724,285	169,899,331	10,752,750	771,626,317
Bangladesh	16,109,634	8,527,250	1,315,889	278,207	-	451,043	1,842,870	473,706	27,457,624	96,270,628	37,678,865	190,405,716
Net Loans and advances	123,375,029	92,699,526	34,785,459	17,696,083	34,864,199	13,224,725	70,577,079	33,113,649	427,641,587	279,765,767	48,616,868	1,176,359,971

As at December 31, 2022

Country/province	Loans and advances by product											
	Overdrafts Rs. '000	Trade finance Rs. '000	Lease receivables Rs. '000	Credit cards Rs. '000	Pawning Rs. '000	Staff loans Rs. '000	Housing loans Rs. '000	Personal loans Rs. '000	Long-term loans Rs. '000	Short-term loans Rs. '000	Bills of exchange Rs. '000	Total Rs. '000
Sri Lanka												
Central	9,214,248	241,010	1,485,765	776,942	765,533	7,271	4,268,379	2,391,002	21,211,080	2,925,154	62,187	43,348,571
Eastern	816,917	4,331	1,074,882	194,497	632,419	2,791	864,460	1,248,254	3,752,284	260,087	-	8,850,922
North Central	556,957	22,282	1,499,504	191,049	291,304	676	854,497	1,849,881	7,455,612	135,424	23,670	12,880,856
Northern	5,165,602	440,196	2,498,611	664,031	1,232,241	3,664	3,997,158	3,068,122	13,875,331	2,554,660	7,688	33,507,304
North Western	2,636,468	31,979	2,241,198	242,931	5,178,565	4,200	1,312,562	1,734,575	6,636,431	356,298	-	20,375,207
Sabaragamuwa	4,387,024	365,634	2,180,345	428,457	482,501	6,433	3,224,079	1,703,202	12,088,788	1,343,088	-	26,209,551
Southern	5,018,670	2,981,356	2,655,293	757,217	1,565,460	8,977	5,661,247	3,645,571	16,597,312	3,829,671	-	42,720,774
Uva	784,139	-	880,251	199,390	175,596	1,145	1,820,026	983,583	5,849,216	241,658	-	10,935,004
Western	84,014,118	94,776,470	15,358,227	12,423,195	6,026,322	13,060,112	49,737,425	23,470,654	322,792,502	114,300,412	8,522,213	744,481,650
Bangladesh	19,722,269	10,682,117	2,029,750	318,428	-	527,586	2,326,431	853,814	25,575,627	102,359,400	22,737,318	187,132,740
Net Loans and advances	132,316,412	109,545,375	31,903,826	16,196,137	16,349,941	13,622,855	74,066,264	40,948,658	435,834,183	228,305,852	31,353,076	1,130,442,579

Please refer Note 33 on pages 326 to 330 for the gross carrying amount of the loans and advances to other customers.

66.2 Liquidity risk

Liquidity risk arises because of the possibility that the Bank might not be able to meet on or off-balance sheet contractual financial obligations on its payments or not receiving what is due to the Bank when they fall due, without incurring unacceptable losses. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations, make sure receipt of funds when they are due and to ensure the availability of adequate funding to fulfill those needs at the appropriate time, under both normal and stressed conditions.

Therefore, the Bank continuously analyses and monitors its liquidity profile, maintains adequate levels of high quality liquid assets, ensures access to diverse funding sources and has contingency funding agreements with peer banks to meet any unforeseen liquidity requirements. Exposures, and ratios against tolerance limits as well as stressed scenarios are regularly monitored in order to identify the Bank's liquidity position and potential funding requirements.

Assets and Liability Management Committee (ALCO)

ALCO chaired by the Managing Director, has representatives from Treasury, Corporate Banking, Personal Banking, Risk and Finance Departments. The Committee meets fortnightly or more frequently to monitor and manage the assets and liabilities of the Bank and also the overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying the regulatory requirements.

66.2.1 Exposure to liquidity risk

The Bank uses the key ratios given below for managing liquidity risk:

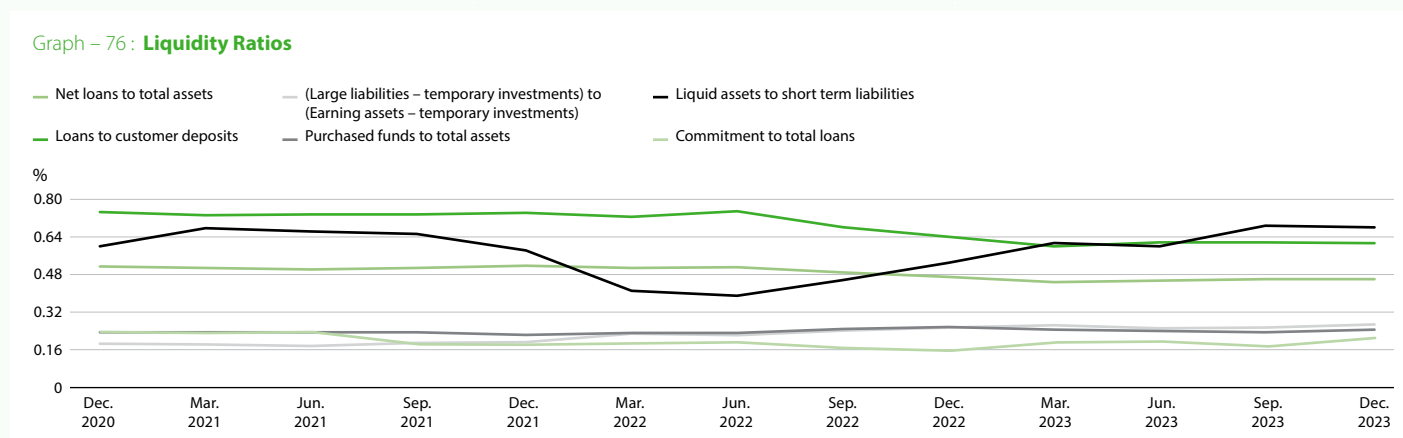
		Minimum requirement		
		2023 %	2022 %	
Liquid Assets Ratio (LAR)				
LAR calculates the percentage of liquid assets to total liabilities excluding shareholders' funds. For this purpose, "liquid assets" include cash and cash equivalents, placements with banks and Government Securities (net).	Consolidated (Sri Lankan Operation)	20.00	20.00	46.06
Liquidity Coverage Ratio (LCR)*				
This ratio determines the ability of the Bank to withstand adverse shocks (i.e. sudden withdrawal of a significant portion of deposits) by holding high quality liquid assets in a 30 day time span.	Rupee Liquidity Requirement	100.00	90.00	491.61
	All-Currency Liquidity Requirement	100.00	90.00	516.27
Net Stable Funding Ratio (NSFR)*				
This ratio measures the availability of Stable Funds against the Required Funds of the Bank. NSFR, requires banks to maintain a stable funding profile by creating additional incentives to fund their activities with more stable sources of funding on an ongoing basis, over a longer time horizon.		100.00	90.00	193.70

*Details of LCR and NSFR are given in Disclosure 04 and 05 under Basel III disclosures under Pillar III on page 453.

Details of the reported LAR of liquid assets to external liabilities of the Domestic Banking Unit (DBU) and the Off-shore Banking Centre (OBC) as at reporting dates are as follows:

	Domestic Banking Unit		Off-shore Banking Centre	
	2023 %	2022 %	2023 %	2022 %
As at December 31,	46.40	35.01	31.06	32.37
Average for the period	41.93	32.17	30.34	30.46
Maximum for the period	47.00	39.68	34.57	34.49
Minimum for the period	36.36	25.37	28.30	26.15

The graph below depicts the trends in liquidity ratios of the Bank calculated on a quarterly basis during the period from December 2020 to December 2023:



66.2.2 Maturity analysis of financial assets and financial liabilities

66.2.2 (a) Remaining contractual period to maturity – Bank

(i) Remaining contractual period to maturity of the assets employed by the Bank as at the date of Statement of Financial Position, is detailed below:

As at December 31,	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total as at December 31, 2023	Total as at December 31, 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest earning financial assets:							
Cash and cash equivalents	26,124,341	–	–	–	–	26,124,341	16,544,051
Balances with central banks	29,531,500	–	–	–	–	29,531,500	2,885,093
Placements with banks	81,344,696	–	–	–	–	81,344,696	74,515,587
Securities purchased under resale agreements	31,148,729	–	–	–	–	31,148,729	1,517,308
Financial assets recognised through profit or loss – Measured at fair value	26,894,481	–	–	–	–	26,894,481	22,848,251
Financial assets at amortised cost – Loans and advances to other customers	486,927,433	307,004,654	238,327,606	94,649,358	49,450,920	1,176,359,971	1,130,442,579
Financial assets at amortised cost – Debt and other financial instruments	50,956,349	141,108,768	187,246,173	152,429,069	118,000,049	649,740,408	725,935,299
Financial assets measured at fair value through other comprehensive income	116,613,847	105,836,150	21,788,019	39,382,215	3,206,551	286,826,782	116,840,307
Total interest earning assets as at December 31, 2023	849,541,376	553,949,572	447,361,798	286,460,642	170,657,520	2,307,970,908	
Total interest earning assets as at December 31, 2022	763,104,358	391,072,795	524,232,782	261,200,744	151,917,796		2,091,528,475
Non-interest earning financial assets:							
Cash and cash equivalents	131,694,946	–	–	–	–	131,694,946	132,849,560
Balances with central banks	14,922,601	7,329,226	473,746	560,429	–	23,286,002	63,608,406
Placements with banks	–	–	–	–	–	–	21,384,058
Derivative financial assets	2,049,107	254,635	4,922,742	–	–	7,226,484	8,345,091
Financial assets recognised through profit or loss – Measured at fair value	2,555,172	–	–	–	–	2,555,172	2,024,806
Financial assets measured at fair value through other comprehensive income	–	–	–	196,227	–	196,227	215,933
Non-financial assets							
Investments in subsidiaries	–	–	–	–	5,808,429	5,808,429	5,808,429
Investments in associates	–	–	–	–	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	–	–	–	–	26,257,902	26,257,902	25,425,452
Intangible assets	–	–	–	–	3,736,504	3,736,504	3,563,120
Deferred tax assets	–	–	34,076,526	–	–	34,076,526	30,301,203
Other assets	16,408,105	305,113	13,361,434	852,833	6,546,963	37,474,448	40,699,168
Total Non-interest earning assets as at December 31, 2023	167,629,931	7,888,974	52,834,448	1,609,489	42,394,129	272,356,971	
Total Non-interest earning assets as at December 31, 2022	214,878,426	37,224,146	33,068,018	8,539,382	40,559,585		334,269,557
Total assets – As at December 31, 2023	1,017,171,307	561,838,546	500,196,246	288,070,131	213,051,649	2,580,327,879	
Total assets – As at December 31, 2022	977,982,784	428,296,941	557,300,800	269,740,126	192,477,381		2,425,798,032
Percentage – As at December 31, 2023 (*)	39.43	21.77	19.38	11.16	8.26	100.00	
Percentage – As at December 31, 2022 (*)	40.32	17.66	22.97	11.12	7.93		100.00

(*) Total assets of each maturity bucket as a percentage of total assets employed by the Bank.

(ii) Remaining contractual period to maturity of the liabilities and share holders' funds employed by the bank as at the date of Statement of Financial Position is detailed below:

As at December 31,	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total as at December 31, 2023	Total as at December 31, 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest-bearing financial liabilities:							
Due to banks	23,341,385	–	5,406,869	7,369,392	–	36,117,646	46,688,703
Securities sold under repurchase agreements	95,828,021	15,370,495	–	–	–	111,198,516	97,726,435
Financial liabilities at amortised cost – Due to depositors	1,176,627,812	594,303,344	42,451,070	43,239,028	–	1,856,621,254	1,722,441,487
Financial liabilities at amortised cost – Other borrowings	1,682,866	5,109,269	574,165	2,444,086	2,945,635	12,756,021	16,150,356
Subordinated liabilities	369,675	234,345	7,914,760	22,379,329	5,584,830	36,482,939	61,400,967
Total interest-bearing liabilities as at December 31, 2023	1,297,849,759	615,017,453	56,346,864	75,431,835	8,530,465	2,053,176,376	
Total Interest-bearing liabilities as at December 31, 2022	1,059,875,670	743,830,630	59,276,044	61,596,113	19,829,491		1,944,407,948
Non-interest bearing financial liabilities:							
Due to banks	11,156,715	–	–	–	–	11,156,715	18,441,358
Derivative financial liabilities	1,795,301	281,024	242,884	–	–	2,319,209	2,880,667
Financial liabilities at amortised cost – Due to depositors	228,424,895	–	–	–	–	228,424,895	191,918,007
Financial liabilities at amortised cost – Other borrowings	–	–	–	–	–	–	–
Subordinated liabilities	–	–	–	–	–	–	–
Non-financial liabilities							
Current tax liabilities	3,737,996	11,213,988	–	–	–	14,951,984	24,475,319
Deferred tax liabilities	–	–	–	–	–	–	–
Other liabilities	39,965,887	2,299,565	3,019,505	2,101,470	7,664,050	55,050,477	39,860,573
Due to subsidiaries	317,221	–	–	–	–	317,221	115,484
Equity							
Stated capital	–	–	–	–	62,948,003	62,948,003	58,149,621
Statutory reserves	–	–	–	–	12,375,906	12,375,906	11,352,858
Retained earnings	–	–	–	–	8,558,385	8,558,385	5,592,121
Other reserves	–	–	–	–	131,048,708	131,048,708	128,604,076
Total non-interest bearing liabilities and equity as at December 31, 2023	285,398,015	13,794,577	3,262,389	2,101,470	222,595,052	527,151,503	
Total non-Interest bearing liabilities and equity as at December 31, 2022	239,780,809	28,696,360	4,072,102	2,820,765	206,020,048		481,390,084
Total liabilities and equity – as at December 31, 2023	1,583,247,774	628,812,030	59,609,253	77,533,305	231,125,517	2,580,327,879	
Total liabilities and equity – as at December 31, 2022	1,299,656,479	772,526,990	63,348,146	64,416,878	225,849,539		2,425,798,032
Percentage – as at December 31, 2023 (*)	61.36	24.37	2.31	3.00	8.96	100.00	
Percentage – as at December 31, 2022 (*)	53.57	31.85	2.61	2.66	9.31		100.00

(*) Total liabilities and equity of each maturity bucket as a percentage of total liabilities and equity employed by the Bank.

66.2.2 (b) Non-derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date

The table below sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date:

As at December 31,	2023 Rs. '000	2022 Rs. '000
Financial assets		
Non-derivative financial assets		
Balances with central banks	1,034,175	3,079,972
Financial assets at amortised cost – Loans and advances to other customers	382,427,884	392,676,522
Financial assets at amortised cost – Debt and other financial instruments	457,675,291	541,901,422
Financial assets measured at fair value through other comprehensive income	64,573,012	2,838,745
Total	905,710,362	940,496,661
Financial liabilities		
Non-derivative financial liabilities		
Securities sold under repurchase agreements	-	78,788
Financial liabilities at amortised cost – Due to depositors	85,690,098	92,694,864
Financial liabilities at amortised cost – Other borrowings	5,963,886	4,530,616
Subordinated liabilities	35,878,919	23,878,921
Total	127,532,903	121,183,189

66.2.2 (c) Undiscounted cash flow of financial assets and financial liabilities – Bank

The following table shows the expected undiscounted cash flows for financial assets and financial liabilities as at December 31, 2023:

As at December 31, 2023	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial assets						
Cash and cash equivalents	157,819,626	-	-	-	-	157,819,626
Balances with central banks	44,454,181	7,329,226	473,746	560,429	-	52,817,582
Placements with banks	81,510,893	-	-	-	-	81,510,893
Securities purchased under resale agreements	32,620,858	-	-	-	-	32,620,858
Derivative financial assets	2,049,107	254,635	4,922,742	-	-	7,226,484
Financial assets recognised through profit or loss – Measured at fair value	22,610,449	4,581,451	1,298,100	-	-	28,490,000
Financial assets at amortised cost – Loans and advances to other customers	524,737,947	359,399,750	306,436,276	117,628,556	73,891,506	1,382,094,035
Financial assets at amortised cost – Debt and other financial instruments	54,005,517	176,961,305	262,827,930	187,111,159	244,909,395	925,815,306
Financial assets measured at fair value through other comprehensive income	136,931,776	99,856,353	34,779,089	48,205,712	3,554,623	323,327,553
Total financial assets	1,056,740,354	648,382,720	610,737,883	353,505,856	322,355,524	2,991,722,337
Financial liabilities						
Due to banks	34,664,877	-	5,406,869	7,369,392	-	47,441,138
Derivative financial liabilities	1,795,301	281,024	242,884	-	-	2,319,209
Securities sold under repurchase agreements	115,752,462	16,509,611	-	-	-	132,262,073
Financial liabilities at amortised cost – Due to depositors	1,424,290,715	618,394,423	50,816,629	66,724,346	26,069	2,160,252,182
Financial liabilities at amortised cost – Other borrowings	1,694,808	5,607,974	1,414,621	3,114,459	3,334,306	15,166,168
Subordinated liabilities	593,316	3,648,265	16,224,764	27,272,555	6,478,623	54,217,523
Total financial liabilities	1,578,791,479	644,441,297	74,105,767	104,480,752	9,838,998	2,411,658,293

As at December 31, 2022	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial assets						
Cash and cash equivalents	149,408,164	–	–	–	–	149,408,164
Balances with central banks	40,291,031	23,122,503	1,870,905	1,209,067	–	66,493,506
Placements with banks	83,306,886	12,843,959	–	–	–	96,150,845
Securities purchased under resale agreements	1,526,897	–	–	–	–	1,526,897
Derivative financial assets	1,725,935	187,116	–	6,432,040	–	8,345,091
Financial assets recognised through profit or loss – Measured at fair value	19,538,799	3,917,471	1,952,700	494,250	–	25,903,220
Financial assets at amortised cost – Loans and advances to other customers	508,341,068	314,036,481	296,122,478	134,462,520	80,297,877	1,333,260,424
Financial assets at amortised cost – Debt and other financial instruments	69,795,202	145,582,423	433,042,928	189,033,833	128,656,964	966,111,350
Financial assets measured at fair value through other comprehensive income	82,755,377	39,675,232	2,076,080	561,250	723,424	125,791,363
Total financial assets	956,689,359	539,365,185	735,065,091	332,192,960	209,678,265	2,772,990,860
Financial liabilities						
Due to banks	37,249,363	8,946,851	2,186,883	9,175,000	8,156,575	65,714,672
Derivative financial liabilities	2,535,879	76,692	268,096	–	–	2,880,667
Securities sold under repurchase agreements	73,880,742	29,228,507	90,479	–	–	103,199,728
Financial liabilities at amortised cost – Due to depositors	1,149,550,386	749,765,309	68,799,168	62,074,803	5,293	2,030,194,959
Financial liabilities at amortised cost – Other borrowings	7,125,093	4,827,826	969,151	2,309,224	3,237,045	18,468,339
Subordinated liabilities	29,428,488	12,489,469	8,362,139	22,095,051	13,002,303	85,377,450
Total financial liabilities	1,299,769,951	805,334,654	80,675,916	95,654,078	24,401,216	2,305,835,815

66.2.3 Liquidity reserves

The table below sets out the components of the Bank's liquidity reserves:

As at December 31,	2023		2022	
	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Balances with central banks	52,817,502	52,817,502	66,493,499	66,493,499
Balances with other banks	104,350,471	104,350,471	102,302,920	102,302,920
Coins and notes held	53,483,401	53,483,401	47,104,381	47,104,381
Unencumbered debt securities issued by sovereigns	955,056,281	802,630,045	779,714,693	530,845,608
Total	1,165,707,655	1,013,281,419	995,615,493	746,746,408

66.2.4 Financial assets available to support future funding

The table below sets out the availability of the Bank's financial assets to support future funding.

As at December 31, 2023			Encumbered		Unencumbered		Total Rs. '000
	Note	Page No.	Pledged as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	
Cash and cash equivalents	28	320	–	–	157,819,287	–	157,819,287
Balances with central banks	29	321	–	24,280,621	28,536,881	–	52,817,502
Placements with banks	30	321	–	–	81,344,696	–	81,344,696
Securities purchased under resale agreements			–	–	31,148,729	–	31,148,729
Derivative financial assets	31	322	–	–	7,226,484	–	7,226,484
Financial assets recognised through profit or loss – Measured at fair value	32	323	–	–	29,449,653	–	29,449,653
Financial assets at amortised cost – Loans and advances to other customers	33	326	–	–	1,176,359,971	–	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments (*)	34	330	149,945,824	–	499,794,584	–	649,740,408
Financial assets measured at fair value through other comprehensive income (*)	35	332	8,143,934	–	278,879,075	–	287,023,009
Total			158,089,758	24,280,621	2,290,559,360	–	2,472,929,739

As at December 31, 2022			Encumbered		Unencumbered		Total Rs. '000
	Note	Page No.	Pledged as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	
Cash and cash equivalents	28	320	–	–	149,393,611	–	149,393,611
Balances with central banks	29	321	–	35,308,373	31,185,126	–	66,493,499
Placements with banks	30	321	–	–	95,899,645	–	95,899,645
Securities purchased under resale agreements			–	–	1,517,308	–	1,517,308
Derivative financial assets	31	322	–	–	8,345,091	–	8,345,091
Financial assets recognised through profit or loss – Measured at fair value	32	323	–	–	24,873,057	–	24,873,057
Financial assets at amortised cost – Loans and advances to other customers	33	326	–	–	1,130,442,579	–	1,130,442,579
Financial assets at amortised cost – Debt and other financial instruments (*)	34	330	102,244,891	–	623,690,408	–	725,935,299
Financial assets measured at fair value through other comprehensive income (*)	35	332	9,884,631	–	107,171,609	–	117,056,240
Total			112,129,522	35,308,373	2,172,518,434	–	2,319,956,329

(*) Market value of securities pledged as collateral is considered as encumbered.

66.3 Market risk

Market risk is the risk of losses on or off-balance sheet positions arising out of movements in prices affecting foreign exchange exposures, interest rate instruments, equity/debt instruments and commodity exposures. The Bank monitors market risk in both trading and non-trading portfolios on an ongoing basis.

66.3.1 Exposure to market risk - Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at December 31, 2023			Market risk measurement		
	Note	Page No.	Carrying amount Rs. '000	Trading portfolios Rs. '000	Non-trading portfolios Rs. '000
Assets subject to market risk					
Cash and cash equivalents	28	320	110,991,157	–	110,991,157
Balances with central banks	29	321	42,877,842	–	42,877,842
Placements with banks	30	321	81,344,696	–	81,344,696
Securities purchased under resale agreements			31,148,729	–	31,148,729
Derivative financial assets	31	322	7,226,484	7,226,484	–
Financial assets recognised through profit or loss – Measured at fair value	32	323	29,449,653	29,449,653	–
Financial assets at amortised cost – Loans and advances to other customers	33	326	1,176,359,971	–	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments	34	330	649,740,408	–	649,740,408
Financial assets measured at fair value through other comprehensive income	35	332	287,023,009		287,023,009
Total			2,416,161,949	36,676,137	2,379,485,812
Liabilities subject to market risk					
Due to banks	43	356	47,274,361	–	47,274,361
Derivative financial liabilities	44	356	2,319,209	2,319,209	–
Securities sold under repurchase agreements			111,198,516	–	111,198,516
Financial liabilities at amortised cost – Due to depositors	45	357	1,992,982,595	–	1,992,982,595
Financial liabilities at amortised cost – Other borrowings	46	358	12,756,021	–	12,756,021
Subordinated liabilities	50	368	36,482,939	–	36,482,939
Total			2,203,013,641	2,319,209	2,200,694,432

As at December 31, 2022			Market risk measurement		
	Note	Page No.	Carrying amount Rs. '000	Trading portfolios Rs. '000	Non-trading portfolios Rs. '000
Assets subject to market risk					
Cash and cash equivalents	28	320	109,917,615	–	109,917,615
Balances with central banks	29	321	30,548,569	–	30,548,569
Placements with banks	30	321	95,899,645	–	95,899,645
Securities purchased under resale agreements			1,517,308	–	1,517,308
Derivative financial assets	31	322	8,345,091	8,345,091	–
Financial assets recognised through profit or loss – Measured at fair value	32	323	24,873,057	24,873,057	–
Financial assets at amortised cost – Loans and advances to other customers	33	326	1,130,442,579	–	1,130,442,579
Financial assets at amortised cost – Debt and other financial instruments	34	330	725,935,299	–	725,935,299
Financial assets measured at fair value through other comprehensive income	35	332	117,056,240	–	117,056,240
Total			2,244,535,403	33,218,148	2,211,317,255
Liabilities subject to market risk					
Due to banks	43	356	65,130,061	–	65,130,061
Derivative financial liabilities	44	356	2,880,667	2,880,667	–
Securities sold under repurchase agreements			97,726,435	–	97,726,435
Financial liabilities at amortised cost – Due to depositors	45	357	1,828,161,718	–	1,828,161,718
Financial liabilities at amortised cost – Other borrowings	46	358	16,150,356	–	16,150,356
Subordinated liabilities	50	368	61,400,967	–	61,400,967
Total			2,071,450,204	2,880,667	2,068,569,537

66.3.2 Exposure to interest rate risk – Sensitivity analysis

66.3.2 (a) Exposure to interest rate risk – Non-trading portfolio

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments and hence expose the Bank to fluctuations of Net Interest Income (NII) give rise to interest rate risk. The Bank's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is maintained within prudent levels.

The tables below analyse the Bank's interest rate risk exposure on financial assets and financial liabilities. The Bank's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.

As at December 31, 2023	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	26,124,341	–	–	–	–	131,694,946	157,819,287
Balances with central banks	29,531,500	–	–	–	–	23,286,002	52,817,502
Placements with banks	81,344,696	–	–	–	–	–	81,344,696
Securities purchased under resale agreements	31,148,729	–	–	–	–	–	31,148,729
Financial assets at amortised cost – Loans and advances to other customers	529,861,260	150,207,698	171,084,201	169,063,682	101,778,869	54,364,261	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments	50,956,349	141,108,768	187,246,173	152,429,069	118,000,049	–	649,740,408
Financial assets measured at fair value through other comprehensive income	116,613,847	105,836,150	21,788,019	39,382,215	3,206,551	196,227	287,023,009
Total financial assets	865,580,722	397,152,616	380,118,393	360,874,966	222,985,469	209,541,436	2,436,253,602
Financial liabilities							
Due to banks	23,341,385	–	5,406,869	7,369,392	–	11,156,715	47,274,361
Securities sold under repurchased agreements	95,828,021	15,370,495	–	–	–	–	111,198,516
Financial liabilities at amortised cost – Due to depositors	1,176,627,812	594,303,344	42,451,070	43,239,028	–	228,424,895	2,085,046,149
Financial liabilities at amortised cost – Other borrowings	1,682,866	5,109,269	574,165	2,444,086	2,945,635	–	12,756,021
Subordinated liabilities	369,675	234,345	7,914,760	22,379,329	5,584,830	–	36,482,939
Total financial liabilities	1,297,849,759	615,017,453	56,346,864	75,431,835	8,530,465	239,581,610	2,292,757,986
Interest rate sensitivity gap	(432,269,037)	(217,864,837)	323,771,529	285,443,131	214,455,004	(30,040,174)	143,495,616
Cumulative gap	(432,269,037)	(650,133,874)	(326,362,345)	(40,919,214)	173,535,790	143,495,616	

As at December 31, 2022	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	16,544,051	–	–	–	–	132,849,560	149,393,611
Balances with central banks	2,885,093	–	–	–	–	63,608,406	66,493,499
Placements with banks	74,515,588	–	–	–	–	21,384,057	95,899,645
Securities purchased under resale agreements	1,517,308	–	–	–	–	–	1,517,308
Financial assets at amortised cost – Loans and advances to other customers	604,521,842	223,583,913	134,978,218	71,245,328	67,257,122	28,856,156	1,130,442,579
Financial assets at amortised cost – Debt and other financial instruments	89,547,952	94,485,926	297,267,724	150,916,603	93,717,094	–	725,935,299
Financial assets measured at fair value through other comprehensive income	80,088,485	33,978,444	1,819,164	500,156	454,058	215,933	117,056,240
Total financial assets	869,620,319	352,048,283	434,065,106	222,662,087	161,428,274	246,914,112	2,286,738,181

As at December 31, 2022	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Financial liabilities							
Due to banks	18,223,394	8,946,851	2,186,883	9,175,000	8,156,575	18,441,358	65,130,061
Securities sold under repurchased agreements	71,828,324	25,819,323	78,788	–	–	–	97,726,435
Financial liabilities at amortised cost – Due to depositors	933,851,422	695,895,201	56,306,773	36,388,091	–	191,918,007	1,914,359,494
Financial liabilities at amortised cost – Other borrowings	7,037,987	4,581,753	703,600	1,393,582	2,433,434	–	16,150,356
Subordinated liabilities	28,934,545	8,587,502	–	14,639,440	9,239,480	–	61,400,967
Total financial liabilities	1,059,875,672	743,830,630	59,276,044	61,596,113	19,829,489	210,359,365	2,154,767,313
Interest rate sensitivity gap	(190,255,353)	(391,782,347)	374,789,062	161,065,974	141,598,785	36,554,747	131,970,868
Cumulative gap	(190,255,353)	(582,037,700)	(207,248,638)	(46,182,664)	95,416,121	131,970,868	

66.3.2 (b) Exposure to interest rate risk – Non-trading portfolio

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various interest rate scenarios. A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some Interbank Offered Rates (IBORs) with alternative nearly Risk-Free Rates (RFRs). The Bank actively embraced this transition in 2023, shifting towards the Secured Overnight Financing Rate (SOFR) as a primary index. As at December 31, 2022, the Bank held a portfolio of financial assets and liabilities indexed to LIBOR. In line with the industry-wide move, some of these IBOR-related indices have either stopped being provided or are no longer representative after June 30, 2023. Financial risk attached to the transition is primarily related to interest rate risk, and impact to the financial statements was insignificant as of the date of transition.

Interest rate shocks

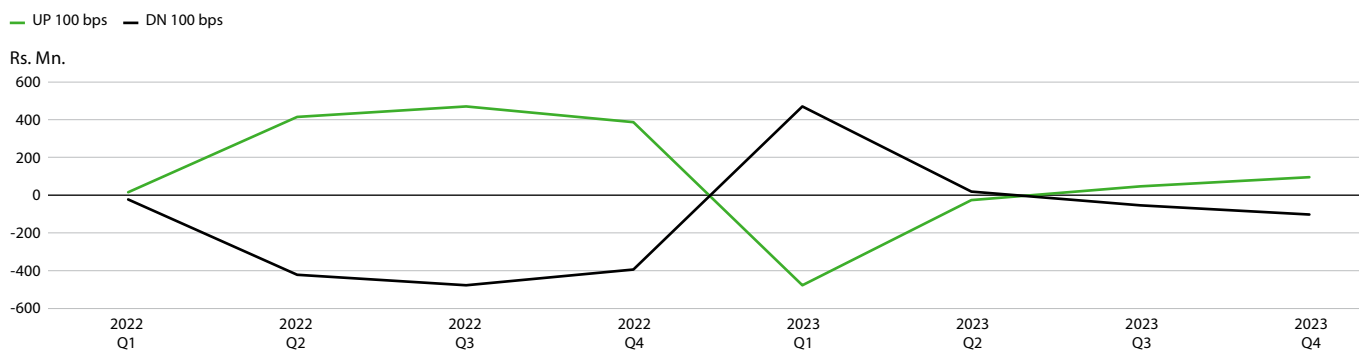
The following table demonstrates the sensitivity of the Bank's Income Statement (net impact) due to change in interest rates by 100bps on rupee denominated assets and liabilities and 25bps on FCY denominated assets and liabilities with all other variables held constant as at the reporting date.

Sensitivity of projected net interest income

Net Interest Income (NII)	2023		2022	
	Parallel increase Rs. '000	Parallel decrease Rs. '000	Parallel increase Rs. '000	Parallel decrease Rs. '000
As at December 31,	100,792	(101,013)	392,200	(392,737)
Average for the period	(18,795)	16,928	369,472	(369,892)
Maximum for the period	276,499	(276,604)	813,181	(813,616)
Minimum for the period	(576,068)	557,037	19,531	(20,281)

The impact of changes in interest rates on NII is measured applying interest rate shocks on static balance sheet. In line with the industry practices, interest rate shocks of 100 bps is applied on LKR denominated assets and liabilities and 25 bps is applied on FCY denominated assets and liabilities. The potential impact on the Bank's profitability due to changes in rupee and foreign currency interest rates is evaluated to ensure that the volatilities are prudently managed within the internal tolerance limits.

Graph – 77 : Impact of a rate shock on the net interest income



66.3.3 Exposure to currency risk – Non-trading portfolio

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Bank has established limits on position by currency and these positions are monitored on a daily basis.

The table below indicates the currencies to which the Bank had significant exposures as at December 31, 2023 and December 31, 2022 and the exposure as a percentage of the total capital funds:

Foreign exchange position as at December 31, 2023

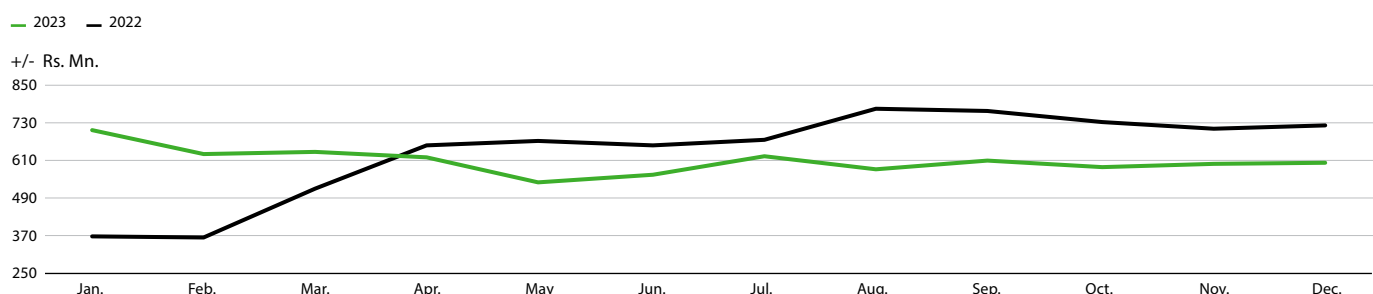
Currency	Spot			Forward			Net open position	Net position in other exchange contracts	Overall exposure in respective foreign currency	Overall exposure in Rs.
	Assets	Liabilities	Net	Assets	Liabilities	Net				
	2	3	4=2-3	5	6	7=5-6				
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
United States Dollar	14,981	10,776	4,205	1,788	2,163	(375)	(2,170)	–	1,660	537,965
Great Britain Pound	209	63	146	–	175	(175)	44	–	15	6,449
Euro	480	230	250	822	1,125	(303)	108	–	55	19,974
Japanese Yen	1,049	10,832	(9,783)	9,000	–	9,000	1,037	–	254	582
Indian Rupee	4	547	(543)	–	–	–	26,556	–	26,013	101,452
Australian Dollar	162	451	(289)	400	80	320	(7)	–	24	5,399
Canadian Dollar	21	29	(8)	–	–	–	46	–	38	9,340
Other currencies in USD	291	453	(162)	–	272	(272)	662	–	228	73,854
Total exposure							USD (977)		USD 2,328	755,015
Total capital funds (capital base) as per the audited Basel III computation – Bank										207,684,979
Total exposure as a percentage of total capital funds (%)										0.36

Foreign exchange position as at December 31, 2022

Currency	Spot			Forward			Net open position	Net position in other exchange contracts	Overall exposure in respective foreign currency	Overall exposure in Rs.
	Assets	Liabilities	Net	Assets	Liabilities	Net				
	2	3	4=2-3	5	6	7=5-6				
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
United States Dollar	15,334	11,101	4,233	76	3,084	(3,008)	9,815	–	11,040	4,051,506
Great Britain Pound	135	263	(128)	70	–	70	102	–	44	19,239
Euro	1,002	1,180	(178)	–	–	–	110	–	(68)	(26,430)
Japanese Yen	10,056	1,453	8,603	–	10,000	(10,000)	31,377	–	29,980	83,070
Australian Dollar	116	280	(164)	–	–	–	242	–	78	19,370
Canadian Dollar	31	284	(253)	–	–	–	249	–	(4)	(1,070)
Other currencies in USD	263	1,097	(834)	–	–	–	1,719	–	885	324,698
Total exposure							USD 12,352		USD 12,181	4,470,383
Total capital funds (capital base) as per the audited Basel III computation – Bank										198,689,451
Total exposure as a percentage of total capital funds (%)										2.25

The Bank regularly carries out sensitivity analysis on Net Open Position (NOP), to assess the exposure to Foreign Exchange (FX) Risk due to possible changes in the USD/LKR exchange rate. An appropriate shock based on historical USD/LKR exchange rate is applied on the NOP which is measured against the Board approved threshold limits.

Graph – 78 : Sensitivity Fx Position-Impact of 1% change in Exchange Rate (Sri Lankan Operation)



66.3.4 Exposure to equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Bank conducts mark-to-market calculations on a daily, quarterly and on a need basis to identify the impact due to changes in equity prices.

The table below summarises the impact (both to Income Statement and to equity) due to a change of 10% on equity prices.

	2023			2022		
	Financial assets recognised through profit or loss Rs. '000	Financial assets at fair value through other comprehensive income Rs. '000	Total Rs. '000	Financial assets recognised through profit or loss Rs. '000	Financial assets at fair value through other comprehensive income Rs. '000	Total Rs. '000
Market value of equity securities as at December 31,	2,555,173	137,086	2,692,259	2,024,806	150,566	2,175,372
Stress Level	Impact on Income Statement	Impact on OCI	Impact on equity	Impact on Income Statement	Impact on OCI	Impact on equity
Shock of 10% on equity prices (upward)	255,517	13,709	269,226	202,481	15,057	217,538
Shock of 10% on equity prices (downward)	(255,517)	(13,709)	(269,226)	(202,481)	(15,057)	(217,538)

66.4 Operational risk

Operational Risk arises due to inadequate or failed internal processes, people and systems or from external events. Operational Risk events which include legal and regulatory implications could lead to financial and reputational losses to the Bank.

The operational risk management framework of the Bank has been defined under the Board approved operational risk management policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Bank, and a detailed testing and verification of the Bank's overall operational systems, and achieving a full harmony between internal and external systems and establishing a fully independent backup facility for business continuity planning.

66.5 Capital management and Pillar III disclosures as per Basel III

Objective

The Bank is required to manage its capital, taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

66.5.1 Regulatory capital

Capital Adequacy Ratio (CAR) is calculated based on the CBSL directions stemming from Basel III accord. These guidelines require the Bank to maintain a CAR not less than 10.00% with minimum Tier 1 capital with buffers in relation to total risk weighted assets and a minimum total CAR with buffers of 14.00% in relation to total risk weighted assets.

As at December 31,	2023 Rs. '000	2022 Rs. '000
Common equity Tier 1 (CET1) capital after adjustments	156,847,378	154,397,407
Total common equity Tier 1 (CET1) capital	198,223,532	191,849,110
Equity capital (stated capital)/assigned capital	62,948,003	58,149,621
Reserve fund	12,375,906	11,352,858
Published retained earnings/(accumulated retained losses)	2,250,494	4,755,271
Published accumulated other comprehensive income (OCI)	9,819,529	17,440,828
General and other disclosed reserves	110,829,600	100,150,532
Unpublished current year's profit/(losses) 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	41,376,154	37,451,703
Goodwill (net)	—	—
Other intangible assets (net)	3,736,504	3,563,120
Revaluation losses of property, plant and equipment	—	—
Significant investments in the capital of financial institutions where the Bank owns more than 10% of the issued ordinary share capital of the entity	3,563,126	3,587,383
Deferred tax assets (net)	34,076,524	30,301,200
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	50,837,601	44,292,044
Total Tier 2 capital	50,837,601	44,292,044
Qualifying Tier 2 capital instruments	30,893,843	24,457,057
Revaluation gains	4,245,025	4,245,025
Eligible impairment	15,698,733	15,589,962
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	—	—
Total adjustments to Tier 2 capital	—	—
Investment in own shares	—	—
Others (specify)	—	—
CET1 capital	156,847,378	154,397,407
Total Tier 1 capital	156,847,378	154,397,407
Total capital	207,684,979	198,689,451

66.5.2 Capital allocation

The Management monitors the capital adequacy ratio on a regular basis and ensure that it operates within the internal limit set by the Bank. The allocation of capital between specific operations and activities, to a large extent, driven by optimisation of return on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risks associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required level by the regulator.

66.5.3 Pillar III disclosures as per Basel III

Disclosures under these requirements mainly include the regulatory capital requirements and liquidity, risk weighted assets, discussion on adequacy to meet current and future capital requirements of banks and linkages between financial statements and regulatory exposures. It is required to disclose the templates specified by the Central Bank of Sri Lanka as per Basel III – Minimum disclosure requirements with effective from July 01, 2017. Refer Annex 2 on pages 451 to 463.

67 Repurchase and reverse repurchase transactions in scrippless treasury bonds and scrippless treasury bills

The following additional information on repurchase and reverse repurchase transactions are disclosed as required by the "Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Direction No. 1 of 2019", issued by the Central Bank of Sri Lanka (CBSL).

67.1 Value of securities allocated for repurchase transactions

As at December 31,	BANK	
	2023 Rs. '000	2022 Rs. '000
Market value of securities allocated for repurchase transactions	158,089,757	112,129,521
Market value of securities received for reverse repurchase transactions	–	2,048,509

67.2 Haircuts for repurchase and reverse repurchase transactions

Minimum haircuts applicable for each maturity bucket as at December 31, 2023 are given below.

Remaining term to maturity of the eligible security	Minimum haircut (%)	
	Repurchase transactions	Reverse repurchase transactions
Up to 1 year	4	4
More than 1 year and up to 3 years	6	6
More than 3 years and up to 5 years	8	8
More than 5 years and up to 8 years	10	10
More than 8 years	12	12

67.3 Penalties imposed on the Bank for non-compliance

No penalties have been imposed on the Bank for non compliance with the above mentioned Direction No. 01 of 2019 issued by the CBSL during the years ended December 31, 2023 & 2022.

68 Events after the reporting period

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements other than disclosed below.

First and final Dividend for 2023

The Bank did not declare cash dividends during the year 2023 (for the year ended December 31, 2023), in conformity with the restrictions imposed by the Central Bank of Sri Lanka on payment of cash dividends for the financial year 2023, as per the instructions given in the Banking Act Direction No. 1 of 2023, dated February 2, 2023, on "Restrictions on Discretionary Payments of Licensed Banks".

Since the Financial Statements for the year 2023 are finalised and audited by the Bank's external auditors, the Board of Directors of the Bank has now recommended the payment of a first and final dividend of Rs. 6.50 per share to be paid and satisfied in the form of Rs. 4.50 per share in cash and Rs. 2.00 per share in the form of issue and allotment of new shares for both voting and non-voting ordinary shareholders' of the Bank for the year ended December 31, 2023, subject to the applicable WHT as disclosed in Note 9.3.1 on page 301.

The above first and final dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting to be held on March 28, 2024 and in accordance with provisions of LKAS 10, the first and final dividend referred to above has not been recognised as a liability as at the year end as disclosed in Note 7.7 on page 297.



SUPPLEMENTARY INFORMATION

- Annex 1: Compliance with Governance Directions, Rules and Codes – [422](#)
- Annex 2: Basel III – Disclosures under Pillar III as per the Banking Act Direction No. 01 of 2016 – [451](#)
- Annex 3: GRI content index – [464](#)
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- Annex 5: Disclosures relating to Sustainability Accounting Standard for Commercial Banks – [471](#)
- Annex 6: Independent Assurance Reports – [472](#)
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- Annex 10: Glossary of financial and banking terms – [482](#)
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Annex 1: Compliance with Governance Directions, Rules and Codes

Annex 1.1: Compliance with Banking Act Direction

The Banking Act Direction No. 11 of 2007 and subsequent amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (the Direction)

Section	Principle, compliance, and implementation	Complied
3 (1)	Responsibilities of the Board	
3 (1) (i)	The Board has strengthened the security and the soundness of the Bank in the following manner:	
a.	Setting strategic objectives and corporate values The Bank's strategic objectives and corporate values are determined by the Board as set out on pages 54 to 96 and Pages 177 to 194. These are communicated to all levels of employees through structured meetings and reinforced monthly at team meetings which review performance vis-à-vis strategic goals. The corporate values are included in the Code of Conduct and Business Ethics which is communicated to all employees via hard copy and Bank's intranet, through orientation programmes and reinforced at meetings.	
b.	Approving overall business strategy including risk policy and management The Board provided direction and guidance for preparation of the five year Corporate Strategic Plan from 2024-2028 which was approved by the Board after discussing related issues in detail with the Corporate Management. It is aligned to the overall Risk Strategy of the Bank through involvement of the Independent Risk Management Committee. The risk appetite of the Bank is embedded throughout the corporate plan in allocation of capital, adoption of risk matrix to measure the risk levels and in defining key performance indicators which include both quantitative and qualitative criteria. Additionally, governance and compliance are embedded into the Bank's Risk Management Policy Framework and included in the strategic goals. The Bank's Strategic Plan for 2024-2028 was approved on December 20, 2023 by the Board at a special Board meeting with the presence of all the members of Corporate Management.	
c.	Risk management The BIRMC is tasked with approving the Bank's Risk Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. "Risk Governance and Management" on pages 232 to 258 and the "Report of the BIRMC" on pages 199 and 200 provide further insights on risk management policies and processes of the Bank.	
d.	Communication with all stakeholders The Board has approved and implemented the following communication policies with stakeholders: • Shareholders – The Shareholder Communication Policy of the Bank explicitly provides for effective and timely communication to shareholders of material matters and performance. Interim Financial Statements are made available to shareholders within 45 days for the first three quarters and within 60 days for the last quarter from the end of the relevant quarter and a press release is issued providing a review of the Bank's performance on a quarterly basis. Performance of the Bank is set out in the Annual Report of the Bank which is circulated to shareholders 15 working days prior to the Annual General Meeting (AGM). - The AGM is the key forum for contact with shareholders and the Bank has a history of well attended AGMs where shareholders take an active role in exercising their rights. Details of attendance of the shareholders at AGMs during the past five years is given in the Table 44 on page 191. - The AGM 2023 was held in the form of a physical meeting. - Additionally, the "Investors" page on the Bank's website contains the Interim Financial Statements and Annual Reports together with key disclosures on risk management. - The Bank also provides information to equity analysts to facilitate high quality information in research reports which are made available to investors by stockbrokers. • Customers – Customers include, <i>inter alia</i>, depositors and borrowers. The Bank's Customer Complaint Handling Policy has been disseminated to all customer contact points in all three languages. This document outlines the policy set out by the Bank to handle customer complaints, provides contact numbers to reach the Bank as well as the Financial Ombudsman. There is a 24-hour trilingual customer hotline set up for this purpose and reports are reviewed by both the EIRMC and BIRMC. • Staff – Employees and representatives of the trade unions are given unrestricted access to the Management to discuss their concerns. The Deputy General Manager – Human Resource Management coordinates communication between the Board and the employees.	

Section	Principle, compliance, and implementation	Complied
e.	Internal control system and management information systems The Board is assisted in this regard by the BAC who reviews the adequacy and the integrity of the Bank's internal control system and management information system. The BAC has reviewed reports from the Internal Audit Department and the External Auditors in carrying out this function and also reviewed management responses on same, during the year.	
f.	Key Management Personnel (KMP) KMP are defined in the Sri Lanka Accounting Standard – LKAS 24 on “Related Party Disclosures”, as the persons who significantly influence policy, direct activities and exercise control over business activities, operations and risk management. All appointments of designated KMP are recommended by the BNGC and approved by the Board. For financial reporting purposes, the Board of Directors of the Bank (including Executive and Non-Executive Directors) is considered as KMP of the Bank. Further, for corporate governance reporting and monitoring purposes, the Bank has also included all members of the Corporate Management into the category of KMP.	
g.	Define areas of authority and key responsibilities for Directors and KMP The Board Charter sets out the matters specifically reserved for Board, defining the areas of authority and key responsibilities of the Board of Directors. Areas of authority and key responsibilities for members of the Corporate Management are stated in the job descriptions of each member.	
h.	Oversight of affairs of the Bank by KMP The Board reviews the performance of the Bank vis-à-vis the strategic plan and receives reports from its Committees on financial reporting, internal control, risk management, changes in KMP and other relevant matters delegated to the Committees. Additionally, KMP make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.	
i.	Assess effectiveness of own governance practices Completed Board evaluation forms were received from all Board members for 2023 for review and the responses were discussed at a BNGC meeting and at a subsequent Board meeting. Matters of concern noted are followed-up and improved upon during the year to continuously improve the governance practices of the Bank.	
j.	Succession plan for KMP There is a formal succession plan in place with named successors for KMP together with development plans to ensure their readiness.	
k.	Regular meetings with KMP Progress towards corporate objectives is a regular agenda item for the Board and members of the Corporate Management are regularly involved in the Board level discussions on the same. Additionally, they make key agenda items or are called in for discussions at the meetings of the Board and presentations on its Committees on policy and other matters relating to their areas on a regular basis.	
l.	Regulatory environment and maintaining an effective relationship with regulator Directors are briefed about regulatory developments at Board meetings by the KMP to facilitate effective discharge of their responsibilities. Members of the BAC and the BIRMC are also briefed on regulatory developments at their meetings by the Heads of Internal Audit, Risk, and Compliance. Board members attend the Director Forums arranged by the CBSL as well.	
m.	Hiring External Auditors The Bank as a practice follow a policy of rotation of auditors, once in every five years, in keeping with the principles of good corporate governance. At the end of the five-year period, quotations are called from suitable audit firms, prior to the recommendation of new auditors. In addition, External Auditors submit a statement annually confirming their independence as required by Section 163 (3) of the Companies Act No. 07 of 2007 (as amended) in connection with external audit. Messrs Ernst & Young completed six consecutive years of external audit with the audit of the Financial Statements for year ended December 31, 2023. Although the Bank used to rotate the external auditor every five years, Messrs Ernst & Young was retained as the external auditor of the Bank for an additional year, considering the fact that the CBSL deployed Messrs KPMG to conduct an Asset Quality Review on the Banking Sector in the country in year 2023. However, with the recommendation of the BAC Messrs KPMG will be proposed as the External Auditor of the Bank at the forthcoming AGM.	
3 (1) (ii)	Appointment of Chairman and CEO and defining and approving their functions and responsibilities Positions of the Chairman and the Managing Director/Chief Executive Officer (CEO) are separated in the Board Charter to maintain a balance of power. Further, functions and responsibilities of the Chairman and the CEO are defined and approved in line with Section 3 (5) of the Direction as further explained on pages 426 and 427.	

Section	Principle, compliance, and implementation	Complied
3 (1) (iii)	Regular Board meetings Board meetings are held each month on a regular basis and special meetings are scheduled as and when the need arises at which Directors present at the meeting and actively participate in deliberating matters set before the Board. Attendance at Board meetings is given on pages 182 and 183 together with the number of meetings of the Board. The Bank has minimised obtaining approval via circular resolutions and it is carried out only on an exceptional basis and such resolutions are ratified by the Board at the next meeting.	
3 (1) (iv)	Arrangements for Directors to include proposals in the agenda Notice of Meeting is circulated two weeks prior to the meeting and Directors may submit proposals for inclusion in the agenda on discussion with the Chairman on matters relating to the business of the Bank.	
3 (1) (v)	Notice of Meetings Notice of Meetings, together with the agenda and Board papers for the Board meetings are circulated to the Directors seven days prior to the meeting providing Directors adequate time to attend and submit any urgent proposals.	
3 (1) (vi)	Directors' attendance The Directors are apprised of their attendance in accordance with the Direction. Details of the Directors' attendance are set out on page 183. No Director has been absent from three consecutive meetings.	
3 (1) (vii)	Appointment and setting responsibilities of the Company Secretary The Board appoints and sets responsibilities of the Company Secretary in accordance with the Companies Act, Banking Act Directions, and the Articles of Association of the Bank under advisement of the BNGC.  Refer "Role of Company Secretary" on page 188 for further details.	
3 (1) (viii)	Directors' access to advice and services of the Company Secretary All Board members have full access, to the advice and services of the Company Secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with.	
3 (1) (ix)	Maintenance of Board minutes Company Secretary maintains the minutes of the Board meetings and circulates same to all Board members after review by the CEO and the Chairman. The minutes are reviewed and approved at the next Board meeting after incorporating any amendments/inclusions proposed by other Directors. Additionally, the Directors have access to past Board papers and minutes through a secure electronic link.	
3 (1) (x)	Maintaining minutes with sufficient details to serve as a reference for regulators and supervisory authorities The minutes of the meetings include: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent; (d) the testimonies and confirmations of relevant executives with regard to the Board's strategies and policies and adherence to relevant laws and regulations; (e) matters regarding the risks to which the Bank is exposed and an overview of the risk management measures including reports of the BIRMC; (f) the decisions and Board resolutions including reports and minutes of all Board Committees; and (g) the actions to be taken by the KMP.	
3 (1) (xi)	Directors' ability to seek independent professional advice Directors can obtain independent professional advice, as and when necessary, in discharging their responsibilities according to a procedure approved by the Board. This function is coordinated by the Company Secretary.	
3 (1) (xii)	Dealing with conflicts of interest The Directors make declarations of their interests at appointment, annually and whenever there is a change in same. A quarterly report is sent to the Board on possible areas of conflict (if any). Directors withdraw from the meeting, abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest. Additionally, such Director's presence is disregarded in counting the quorum in such instances. Key appointments of the Directors in other entities are indicated in their profiles appearing on pages 162 to 167 and "Directors' Interest in Contracts with the Bank" as disclosed on pages 230 and 231.	

Section	Principle, compliance, and implementation	Complied
3 (1) (xiii) Formal schedule of matters reserved for Board decision	The Board has put in place systems and controls to facilitate the effective discharge of Board functions. Pre set agenda of meetings ensures the direction and control of the Bank are firmly under Board's control and authority in line with regulatory codes, guidelines and international best practice.	
3 (1) (xiv) Inform Central Bank on probable solvency issues	The Bank is solvent and no situations have arisen to challenge its solvency. A Board approved procedure is in place to inform the Director of Bank Supervision prior to taking any decision or action if the Bank is about to become insolvent or about to suspend payments to its depositors and other creditors.	
3 (1) (xv) Capital adequacy	The Board monitors capital adequacy and other prudential measures to ensure compliance with regulatory requirements, and the Bank's defined risk appetite. The Bank is in compliance with the minimum capital adequacy requirements. Refer Annex: 2 Basel III – Disclosures under Pillar III as per Banking Act Direction No. 01 of 2016 on pages 451 to 463	
3 (1) (xvi) Publish Corporate Governance Report in this Annual Report	Corporate Governance Report of the Bank is set out on pages 177 to 194 of this Annual Report	
3 (1)(xvii) Self-assessment of Directors	The Bank has adopted a system of self-assessment, to be undertaken by each Director, annually. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual as well as the effectiveness of the Board as a whole. Further, each Director carries out an assessment of "fitness and propriety" to serve as a Director.	
3 (2) Board Composition		
3 (2) (i) Number of Directors	As per the Direction and Articles of Association of the Bank the number of Directors should not be less than seven and not more than thirteen. The Bank's Board comprised of Twelve Directors as at December 31, 2023.	
3 (2) (ii) Period of service of a Director	The period of service of a Director is limited to nine years excluding the Executive Directors as per the Direction issued to Licensed Commercial Banks. Details of their tenures of service are given on page 183.	
3 (2) (iii) Board balance	There are two Executive Directors and ten NEDs which is compliant with the requirement to limit the number of Executive Directors to one-third of the total.	
3 (2) (iv) Independent NEDs	The Board has ten Independent Directors which is well above the regulatory requirement to have at least one third of the total number of Directors, to be INEDs to satisfy the criteria for determining independence.	
3 (2) (v) Alternate Directors appointed to represent an Independent Director	There are no Alternate Directors on the Board of the Bank.	
3 (2) (vi) Criteria for Non-Executive Directors	NEDs are persons with proven track records and necessary skills and experience to bring independent judgement to bear on issues of strategy, performance and resources. Directors nominate names of eminent professionals or academics from various disciplines to the BNGC who peruse the profiles and recommend suitable candidates to the Board.	
3 (2) (vii) More than half the quorum to comprise Non-Executive Directors	This requirement is strictly observed and it is noteworthy that the majority of the Board are NEDs.	
3 (2) (viii) Identify Independent Non-Executive Directors in communications and disclose categories of Directors in this Annual Report	The Independent NEDs are expressly identified as required in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of Executive and Non-Executive Directors and Independent and Non-Independent Directors are given on page 183.	

Section	Principle, compliance, and implementation	Complied
3 (2) (ix) Formal and transparent procedure for appointments to the Board	The Board has established a BNGC, Terms of Reference of which comply with the specimen given in the Code of Best Practice on Corporate Governance. The Board has also developed a succession plan together with the BNGC to ensure the orderly succession of appointments to the Board.	✓
3 (2) (x) Election of Directors filling casual vacancies	All Directors appointed to the Board are subject to election by shareholders at the first AGM after their appointment.	✓
3 (2) (xi) Communication of reasons for removal or resignation of Director	Resignations of Directors and the reasons are promptly informed to the regulatory authorities and shareholders together with a statement confirming any matters that need to be brought to the attention of shareholders.	✓
3 (2) (xii) Prohibition of Directors or employees of a Bank becoming a Director of another bank	The Board and the BNGC take into account this requirement in their deliberations when considering appointments of Directors. None of the Directors are directors or employees of any other bank registered in Sri Lanka. Ms Lee, Director of the Bank, is also on the Board of Directors of DBS Group Holdings Ltd., Singapore and DBS Bank Ltd., Singapore. The CBSL has communicated that it has no objection to the said appointment.	✓
3 (3) Criteria to assess fitness and propriety of Directors		
3 (3) (i) Age of Director should not exceed 70	There are no Directors who are over 70 years of age.	✓
3 (3) (ii) Directors should not be Directors of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	No Director holds directorships in excess of 20 companies/entities/institutions inclusive of subsidiaries or the associates of the Bank.	✓
3 (4) Management functions delegated by the Board		
3 (4) (i) Directors shall carefully study and clearly understand the delegation arrangements.		✓
3 (4) (ii) Extent of delegation should not hinder the Board's ability to discharge its functions		✓
3 (4) (iii) Review delegation arrangements periodically to ensure relevance to operations of the Bank	The Board reviews and approves the delegation arrangements of the Bank annually and ensures that the extent of delegation addresses the business needs of the Bank whilst enabling the Board to discharge their functions effectively. Consequently, the Board takes time to study and understand the delegation arrangements as referred to in the Section 3 (4) (i) and (ii) above.	✓
3 (5) The Chairman and Chief Executive Officer		
3 (5) (i) Separation of roles	There is a clear separation of duties between the roles of the Chairman and the CEO, thereby preventing unfettered powers for decision-making being vested with one person.	✓
3 (5) (ii) A Non-Executive Independent Director as the Chairman or if not independent, designation of an Independent Director as the Senior Director	The Chairman is an Independent Non-Executive Director.	✓
3 (5) (iii) Disclosure of identity of Chairman and CEO and any relationships with the Board members	The identity of the Chairman and the CEO are disclosed in the Annual Report on pages 162 and 163 on Board of Directors and Profiles. The Bank has set in place a mechanism to monitor this aspect and any development in relation to same is to be notified to the Board. The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the CEO during the year under review. Similarly, no relationships prevail among the other members of the Board.	✓
3 (5) (iv) Chairman to provide leadership to the Board	Board approved list of functions and responsibilities of the Chairman includes, "Providing leadership to the Board" as a responsibility of the Chairman. The Board's Annual Assessment Form includes an area to measure the "Effectiveness of the Chairman in facilitating the effective discharge of Board functions". All key and appropriate issues are discussed by the Board on a timely basis.	✓
3 (5) (v) Responsibility for agenda lies with the Chairman but may be delegated to the Company Secretary	The Company Secretary draws up the agenda for the meetings in consultation with the Chairman.	✓

Section	Principle, compliance, and implementation	Complied
3 (5) (vi)	Ensure that Directors are properly briefed and provided adequate information The Chairman ensures that the Board is sufficiently briefed and informed regarding the matters arising at Board meetings. The following procedures ensure that: (a) Circulation of Board papers including minutes of the previous meeting, seven days prior to meeting (b) Clarification of matters by KMP when required	✓
3 (5) (vii)	Encourage active participation by all Directors and lead in acting in the interests of the Bank This requirement is addressed in the list of functions and responsibilities of the Chairman approved by the Board.	✓
3 (5) (viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors Ten members of the Board are NEDs which creates a conducive environment for active participation by the NEDs. Additionally, NEDs chair the Committees of the Board providing further opportunity for active participation.	✓
3 (5) (ix)	Refrain from direct supervision of KMP and executive duties The Chairman does not get involved in the supervision of KMP or any other executive duties.	✓
3 (5) (x)	Ensure effective communication with shareholders The Bank historically has active shareholder participation at the AGM. At the AGM the shareholders are given the opportunity to take up matters for which clarification is needed. These matters are adequately clarified by the Chairman and/or CEO and/or any other officer. The AGM 2023 was held in the form of a physical meeting. The shareholder participation at AGMs is given on page 191 of the "Annual Corporate Governance Report".	✓
3 (5) (xi)	CEO functions as the apex executive in charge of the day-to-day operations The day-to-day operations of the Bank have been delegated to the CEO by the Board of Directors.	✓
3 (6)	Board appointed committees	
3 (6) (i)	Establishing Board Committees, their functions and reporting The Board has established ten committees of which six are mandatory with the remainder appointed to meet the business needs of the Bank. Pursuant to the provisions of the Banking Act Directions No. 01 of 2023 dated February 02, 2023 issued by the Central Bank of Sri Lanka (CBSL) all licensed banks are, inter alia, mandatorily obliged to establish a Board level Subcommittee to operate during the years 2023 and 2024, entrusting the responsibility of evaluating and approving, non-essential and/or non-urgent expenditure and/or capital expenditure to be incurred by the Bank, if any. Accordingly, the Bank being legally obliged, established a Board Capital Expenditure Review Committee (BCERC) to ensure compliance with the provisions of the said Direction. All the Board Committees of the Bank have its own written Terms of Reference. Each Committee has a Secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the Committee. The Reports of the Board Committees are given on pages 195 to 215. The Chairpersons of the Committees are available at the AGM to clarify any matters that may be referred to them by the Chairman.	✓
3 (6) (ii)	Board Audit Committee (BAC)	✓
a.	Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit Chairman of the Committee, Mr Senanayake is an Independent Non-Executive Director with qualifications and experience in accountancy. Mr Senanayake's profile is given on page 164.	
b.	Committee to comprise solely of Non-Executive Directors All members of the BAC are Independent Non-Executive Directors.	✓
c.	Board Audit Committee functions In accordance with the Terms of Reference, the BAC has made the following recommendations: (i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time; (iii) the application of the relevant Accounting Standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor. The BAC ensures that the service period of the engagement of the External Audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	✓

Section	Principle, compliance, and implementation	Complied
d.	Review and monitor External Auditor's independence and objectivity and the effectiveness of the audit processes The Board has adopted a policy of rotation of Auditors, once in every five years, in keeping with applicable standards and best practices. Please refer Section 3 (1) (i) m on "Hiring External Auditors" regarding retaining Messrs Ernst & Young for one more year, as the External Auditor.	
e.	Provision of non-audit services by External Auditor The Bank had developed a comprehensive Board Approved Policy on engagement of External Auditor for Non Audit services. Following action is taken prior to the assignment of non-audit services to External Auditors by the Bank: (i) Considered whether the skills and experience of the audit firm make it a suitable provider of non-audit services (ii) If the Management is of the view that the independence is likely to be impaired with the assignment of any non-audit services to External Auditors, no assignment will be made to obtain such services. (iii) Further, relevant information is obtained from External Auditors to ensure that their independence is not impaired, as a result of providing any non-audit services. (iv) Pre approval of the BAC and the approval of the Board is obtained prior to engagement of the External Auditor for Non Audit services as per the Policy.	
f.	Determines scope of audit The Committee discussed the Audit Plan, nature and scope of the audit with External Auditors to ensure that it includes: (i) an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the Management's internal controls over financial reporting; and (ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations. (iii) the co-ordination between the audit firms, when more than one audit firm is involved within the Group.	
g.	Review financial information of the Bank The BAC reviews the financial information of the Bank, in order to monitor the integrity of the Quarterly/Annual Financial Statements, quarterly reports prepared for disclosure, Annual Report and the significant financial reporting judgements contained therein. The review focuses on the following: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) compliance with relevant Accounting Standards and other legal requirements. The BAC makes their recommendations to the Board on the above on a quarterly basis.	
h.	Discussions with External Auditor on interim and final audits The BAC discusses issues, problems and reservations arising from the interim and final audits with the External Auditor. The Committee met on two occasions with the External Auditor, without the presence of executive staff of the Bank.	
i.	Review of management letter and Bank's response The BAC has reviewed the External Auditor's Management Letter and the Management's response thereto.	
j.	Review of internal audit function The Annual Audit Plan prepared by the Internal Audit Department is submitted to the BAC for approval. This Plan covers the scope, functions and resource requirements relating to the Audit Plan and has the necessary authority to carry out its work. The services of four audit firms have been obtained to assist the Internal Audit Department to carry out the audit function. Prior approval of the BAC has been obtained in this regard. The Committee reviewed the reports submitted by Internal Audit Department and ensures that appropriate action is taken on the recommendations. The Deputy General Manager – Management Audit (DGM-MA), who leads the Internal Audit Department, reports directly to the BAC and his performance appraisal is reviewed by the BAC. The BAC is to recommend any appointment, terminations/resignations of the head, senior internal audit staff members and outsourced service providers to the internal audit function. The above processes ensure that audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. Ensure that the Committee is apprised of resignations of senior staff members of the internal audit department including the DGM – MA and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.	

Section	Principle, compliance, and implementation	Complied
k.	Internal investigations The Committee shall consider the major findings of internal investigations and Management's responses thereto.	✓
l.	Attendees at Board Audit Committee meeting The Chief Financial Officer, DGM-MA and a representative of the External Auditors normally attend meetings. Other Board members and Managing Director/CEO may also attend meetings upon the invitation of the Committee. The Committee met with the External Auditors without the Executive Directors being present on 2 occasions during the year. Refer the "Report of the BAC" given on pages 195 to 198.	✓
m.	Explicit authority, resources and access to information The Terms of Reference for the BAC includes: (i) explicit authority to investigate into any matter within its Terms of Reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. Refer the "Report of the BAC" on pages 195 to 198.	✓
n.	Regular meetings The BAC had scheduled regular quarterly meetings and additional meetings were scheduled when required. Accordingly, the Committee met 9 times during the year. Members of the BAC are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary of the BAC.	✓
o.	Disclosure in Annual Report The "Report of the BAC" on pages 195 to 198 includes the following: (i) details of the activities of the BAC; (ii) the number of BAC meetings held in the year; and (iii) details of attendance of each member at such meetings.	✓
p.	Maintain minutes of meetings DGM-MA serves as the Secretary for the BAC and maintains minutes of the Committee meetings	✓
q.	Whistle-blowing policy and relationship with External Auditor The Bank has a whistle-blowing policy which has been reviewed and approved by the BAC and the Board of Directors. Board's responsibility towards encouraging communication on any non-compliance and unethical practices are addressed in the Board Charter. A process is in place and arrangements are in effect to conduct a fair and independent investigation and appropriate follow-up action regarding any concerns raised by the employees of the Bank, in relation to possible improprieties in financial reporting, internal controls or other matters. The BAC is the key representative body for overseeing the Bank's relations with the External Auditor and meets the External Auditor on a regular basis to discharge this function.	✓
3 (6) (iii)	Board Human Resources and Remuneration Committee (BHRRC) Charter of the Committee The BHRRC is responsible for: (a) determining the remuneration policy relating to Directors, CEO and KMP; (b) setting goals and targets for the Directors, CEO and KMP; and (c) evaluating performance of the CEO and KMP against agreed targets and goals and determining the basis for revising remuneration, benefits and other payments of performance-based incentives. (d) The CEO attends all meetings of the Committee, except when matters relating to the CEO are being discussed. Refer the "Report of the BHRRC" on pages 203 and 204.	✓

Section	Principle, compliance, and implementation	Complied
3 (6) (iv) Board Nominations and Governance Committee (BNGC)		
a. Appointment of Directors, CEO and KMP	The Committee has developed and implemented a procedure to appoint new Directors, CEO and the members of the Corporate Management of the Bank. The Committee has also developed a proactive process for planning and assessment of candidates for the succession of Executive and Non-Executive Directors, CEO and KMP appointments within the Bank, its Subsidiaries, and the Associate (the Group). The Committee also oversee appointment and composition of the Sharia Supervisory Board (SSB or Sharia Board) of the Bank's Islamic Banking Unit (IBU). The Committee is chaired by the Chairman of the Bank as at December 31, 2023 and comprises three other NEDs, who are independent. The CEO may be present at meetings by invitation. Refer the "Report of the BNGC" on pages 201 and 202.	
b. Re-election of Directors	The Committee makes recommendations regarding the re-election of current Directors, considering the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities also considering the requirements of the Articles of Association. Refer the "Statement of Compliance" given on pages 216 to 223.	
c. Eligibility criteria for appointments to key managerial positions including CEO	The Committee sets the eligibility criteria to be considered, including qualifications, experience and key attributes, for appointment or promotion to key managerial positions including the position of the CEO. The Committee considers the applicable statutes and guidelines in setting the criteria.	
d. Fit and proper persons	The Committee obtains annual declarations from Directors, CEO and COO to ensure that they are fit and proper persons to hold office as specified in the criteria given in the Section 3 (3) of this Direction and as set out in the statutes. Similarly the appointment of consultants is also subject to the assessment of their fitness and propriety conduct by the Bank according to the aforementioned criteria. Further, the BNGC obtains declarations from KMP to ensure that they too are fit and proper persons to hold office as specified in the said Direction.	
e. Succession plan and new expertise	The Committee has developed a succession plan for the Directors and KMP. The need for new expertise may be identified by the Board or its Committees and brought to the attention of the BNGC who will take appropriate action.	
f. Committee to be chaired by an independent Director	The Committee was chaired by an Independent Non-Executive Director and the CEO attended the meetings by invitation.	
3 (6) (v) Board Integrated Risk Management Committee (BIRMC)		
a. Composition of BIRMC	The Committee comprises NEDs, the Managing Director/CEO and the Chief Risk Officer (CRO) who serves as a non-board member. Other KMP supervising credit, market, liquidity, operational, and strategic risks are invited to attend the meetings on a regular basis.	
b. Risk assessment	The Committee has approved the policies on Credit Risk Management, Market Risk Management and Operational Risk Management, which provide a framework for management and assessment of risks. Further, Internal Capital Adequacy Assessment Process is being reviewed by the Committee annually. Accordingly, monthly information on pre-established risk indicators is reviewed by the Committee in discharging its responsibilities as per the Terms of Reference. Refer the "Report of the BIRMC" on pages 199 and 200.	
c. Review of management level Committees on risk	The Committee shall review the adequacy and effectiveness of all management level Committees such as Credit Policy Committee (CPC), Asset and Liability Management Committee (ALCO), Executive Integrated Risk Management Committee (EIRMC), Executive Committee on Monitoring NPAs (ECMN), Management Committee (MC), Product Development Committee (PDC), Executive Human Resources Steering Committee (EHRSC), Retail Channel Management Committee (RCMC), Information Security Council (ISC), Information Technology Steering Committee (ITSC), Business Continuity Management Steering Committee (BCMSc), Executive Strategy Development Committee (ESDC), and Executive Investment Committee (EIC) to assess their adequacy and effectiveness in addressing specific risks and managing them within the quantitative and qualitative risk limits specified by the Board of Directors. These limits are set out in the Risk Appetite Statement of the Bank and are reviewed by the Board on a regular basis.	

Section	Principle, compliance, and implementation	Complied
d.	Corrective action to mitigate risks exceeding prudential levels Actual exposure levels under each risk category are monitored against the tolerance levels when preparation of “Risk Profile Dashboard” of the Bank, which is circulated among members of the BIRMC monthly and discussed in detail at quarterly meetings. The Committee takes prompt corrective action to mitigate the effects of specific risks in case, such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank’s policies and regulatory and supervisory requirements.	
e.	Frequency of meetings The Committee meets quarterly and schedules additional meetings when required. The agenda covers matters assessing all aspects of risk management including updated business continuity plans. The Committee met 5 times during 2023.	
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action The Committee refers such matters, if any, to the Human Resources Department for necessary action with observations and suggestions.	
g.	Risk Assessment Report to the Board A comprehensive report of the meeting is submitted to the Board after each Committee meeting, by the Secretary of the Committee for their information, views, concurrence or specific directions.	
h.	Compliance function A compliance function has been established to assess the Bank’s compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer who reports to the BAC and the BIRMC. The Compliance Officer submits a Positive Assurance Certificate on Compliance with mandatory banking and other statutory requirements on a quarterly basis to BAC and BIRMC.	
3 (7)	Related Party Transactions	
3 (7) (i)	Avoid conflict of interest The BRPTRC oversees the processes relating to this subject and its Report is given on pages 205 and 206 All members of the Board are required to make declarations of the positions held with related parties at the time of appointment and annually thereafter. In the event of any change (during the year), the Directors are required to make a further declaration to the Company Secretary. Directors refrain from participating at relevant sessions, in which lending to related entities Note 62 to the Financial Statements on “Related Party Disclosures” on pages 384 to 388 are discussed to avoid any kind of influence and conflict of interest. Transactions carried out with related parties as defined by the Sri Lanka Accounting Standard - LKAS 24 on “Related Party Disclosures”, in the normal course of business, are disclosed in Note 62 to the Financial Statements on “Related Party Disclosures” on pages 384 to 388. Directors’ interest in contracts, which do not fall into the definition of related party transactions as per LKAS 24, are reported separately in the Annual Report, excluded from Notes to Financial Statements. Refer page 230 for more details.	
3 (7) (ii)	Related party transactions covered by the Direction The Related Party Transactions Policy approved by the Board, covers the following transactions: (a) The grant of any type of accommodation, as defined in the Monetary Board’s Directions on maximum amount of accommodation; (b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments; (c) The provision of any services of a financial or non-financial nature to the Bank or received from the Bank; (d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties, which may lead to sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	
3 (7) (iii)	Prohibited transactions The Bank’s Related Party Transactions Policy prohibits transactions, which would grant related parties more favourable treatment than that accorded to other customers. These include the following: (a) Granting of “total net accommodation” to related parties, exceeding a prescribed percentage of the Bank’s regulatory capital; (b) Charging of a lower rate of interest than the Bank’s best lending rate or paying more than the Bank’s deposit rate for a comparable transaction with an unrelated comparable counterparty; (c) Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; (d) Providing services to or receiving services from a related party without an evaluation procedure; (e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	

Section	Principle, compliance, and implementation	Complied
3 (7) (iv) Granting accommodation to a Director or close relation of a Director	A procedure is in place for granting accommodation to Directors or to a close relation/Close Family Member (CFM) of Directors. Such accommodation requires approval at a meeting of the Board of Directors, by not less than two-third of the number of Directors, other than the Director concerned, voting in favour of such accommodation or through circulation of papers, which require approval by all. The terms and conditions of the facility include a proviso that it will be secured by such security, as may from time to time be determined by the Monetary Board as well. Refer section on "Conflicts of Interest" on page 182 for more details.	
3 (7) (v) Accommodations granted to persons, concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank	The Company Secretary obtains declarations/affidavits from all Directors prior to their appointment and they are requested to declare any further transactions. Employees of the Bank are aware of the requirement to obtain necessary security, as defined by the Monetary Board, if the need arises. Processes for compliance with this regulation is also monitored by the Compliance Unit.	
3 (7) (vi) Favourable treatment or accommodation to bank employees or their close relations	No favourable treatment/accommodation is provided to Bank employees, other than staff benefits. Employees of the Bank are informed through operational circulars, to refrain from granting favourable treatment to other employees or their close relations or to any concern in which an employee or close relation has a substantial interest.	
3 (7) (vii) Remittance of accommodation subject to Monetary Board approval	No such situation has arisen during the year.	
3 (8) Disclosures		
3 (8) (i) Publish Annual and Quarterly Financial Statements	Annual Audited Financial Statements and Interim Financial Statements of the Bank were prepared and published during 2023 in the newspapers (in Sinhala, Tamil and English), in accordance with the formats prescribed by the Supervisory and Regulatory Authorities and applicable accounting standards.	
3 (8) (ii) Disclosures in Annual Report		
a. A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	Disclosures on the compliance with the applicable accounting standards and regulatory requirements in preparation of the Annual Audited Financial Statements, have been made in the "Statement of Directors' Responsibility" and "Managing Director's/ Chief Executive Officers and Chief Financial Officer's Statement of Responsibility". Refer pages 224, 225 and 229.	
b. Report by the Board on the Bank's internal control mechanism	The Annual Report includes the reports where the Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. Please refer the following statements for more details. Annual Report of the Board of Directors on pages 03 and 04. Statement of Compliance on pages 216 to 223. Statement of Directors' Responsibility for Financial Reporting on pages 224 and 225. Directors' Statement on Internal Control over Financial Reporting and Risk Management on pages 226 and 227.	
c. External Auditors Certification on the Effectiveness of the Internal Control Mechanism	The Bank has obtained a certificate on the Effectiveness of Internal Controls over financial reporting, which is published on page 228.	
d. Details of Directors, including names, fitness and propriety, transactions with the Bank and the total of fees/remuneration paid by the Bank	Profiles of Board members are given on pages 162 to 167. Directors' Interests in Contracts with the Bank on pages 230 and 231. Details of transactions with the Bank are given in Note 62 to the Financial Statements on pages 384 to 388. Details of remuneration paid by the Bank are given in Note 21 to the Financial Statements on page 311.	

Section	Principle, compliance, and implementation	Complied																								
e.	Total accommodation granted to each category of related party and as a percentage of the Bank's regulatory capital The net accommodation granted to each category of related party as a percentage of the Bank's Regulatory Capital are given below: Direct and indirect accommodation to related parties as at December 31, 2023. <table><tr><th>Category of related party</th><th>Rs. Mn.</th><th>%</th></tr><tr><td>a Subsidiary companies of the Bank</td><td>2,640</td><td>1.27</td></tr><tr><td>b Associate of the Bank</td><td>–</td><td>–</td></tr><tr><td>c Directors of the Bank*</td><td>11</td><td>0.01</td></tr><tr><td>d Members of the Corporate Management of the Bank</td><td>393</td><td>0.19</td></tr><tr><td>e Close relations of the Bank's Directors or members of the Corporate Management</td><td>277</td><td>0.13</td></tr><tr><td>f Shareholder owning a material interest in the Bank</td><td>–</td><td>–</td></tr><tr><td>g Entities in which Directors/KMP or their close relations have a substantial interest</td><td>4,138</td><td>1.99</td></tr></table> * Include both NEDs and EDs	Category of related party	Rs. Mn.	%	a Subsidiary companies of the Bank	2,640	1.27	b Associate of the Bank	–	–	c Directors of the Bank*	11	0.01	d Members of the Corporate Management of the Bank	393	0.19	e Close relations of the Bank's Directors or members of the Corporate Management	277	0.13	f Shareholder owning a material interest in the Bank	–	–	g Entities in which Directors/KMP or their close relations have a substantial interest	4,138	1.99	
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f.	Aggregate values of remuneration to and transactions with Directors and members of the Corporate Management <table><tr><th></th><th>Rs. Mn.</th></tr><tr><td>Remuneration paid for the year ended December 31, 2023</td><td>931</td></tr><tr><td>Accommodation granted – as at December 31, 2023</td><td>408</td></tr><tr><td>Deposits – as at December 31, 2023</td><td>555</td></tr><tr><td>Investments – as at December 31, 2023</td><td>47</td></tr></table>		Rs. Mn.	Remuneration paid for the year ended December 31, 2023	931	Accommodation granted – as at December 31, 2023	408	Deposits – as at December 31, 2023	555	Investments – as at December 31, 2023	47															
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g.	External Auditors Certification of Compliance The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies.																									
h.	Report confirming compliance with prudential requirements, regulations, laws, and internal controls The Statement of “Directors’ Responsibility for Financial Reporting” on pages 224 and 225 and item 35 of the “Statement of Compliance” on page 221, clearly sets out details regarding compliance with prudential requirements, regulations, laws, and internal controls.																									
i.	Non-compliance Report There were no supervisory concerns on lapses in the Bank’s Risk Management Systems or non-compliance with the Direction that have been pointed out by the Director of the Bank Supervision Department of the CBSL and therefore, there is no disclosure in this regard.																									
3 (9)	Transitional and other general provisions The Bank has complied with the transitional provisions, where applicable.																									

Annex 1.2: Compliance with Code of Best Practice on Corporate Governance

Compliance with the Code of Best Practice on Corporate Governance 2023 (the Code) issued by The Institute of Chartered Accountants of Sri Lanka

Code ref.	Compliance and implementation	Complied
A. Directors		
A.1 The Board	The Board of Commercial Bank comprises twelve eminent professionals drawn from multiple fields and ten out of them are NEDs. They bring diverse perspectives and independent judgement to deliberate on matters set before the Board. Directors are elected by shareholders at the AGMs with the exception of the Chief Executive Officer (CEO) and the Chief Operating Officer (COO) who are appointed by the Board and remain as Executive Directors until retirement, resignation or termination of such appointment. Casual vacancies are filled by the Board based on the recommendations of the Board Nominations and Governance Committee (BNGC) as provided for in the Articles of Association. The Board is assisted by the Company Secretary.	✓
A.1.1 Regular meetings	The Board meets on a monthly basis and each Board Committee also has its own schedule of meetings as set out in the respective Committee reports. The regularity of Board meetings and the structure and process of submitting information have been agreed to and documented by the Board. Attendance at meetings is summarised in Figure 41 on page 183. Information required to be reported to the Board under this Section is reported on a regular basis.	✓
A.1.2 Role and responsibilities of the Board	The roles and responsibilities of the Board are set out in the Board Charter as summarised on page 186.	✓
A.1.3 Act in accordance with laws	The Board has an approved working procedure in place to facilitate compliance with the relevant laws, CBSL Directions and guidelines and international best practice with regard to the operations of the Bank. This includes provision to obtain independent professional advice as and when necessary by any Director coordinated through the Company Secretary.	✓
A.1.4 Access to advice and services of Company Secretary	All Directors are able to obtain the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter involving the whole Board under advisement of the BNGC as it is a Key Management Position. The Bank has obtained appropriate insurance cover as recommended by the BNGC for the Board of Directors and the Members of the Corporate Management. Refer Section on "Role of the Company Secretary" on page 188 for further details on role of the Company Secretary.	✓
A.1.5 Independent judgement	The Board comprises of senior professionals who are luminaries in their respective fields and use their independent judgement in discharging their duties and responsibilities on matters of strategy, performance, resource allocation, risk management, compliance, and standards of business conduct. The composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors which minimises the tendency for one or a few members of the Board to dominate the Board processes or decision-making.	✓
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	Board meetings and Board Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting using electronic means to ensure that Directors have sufficient time to review the same and call for additional information or clarifications, if required. While there is provision to circulate papers closer to the meeting in exceptional circumstances, this is generally discouraged. Members of the Corporate Management Team and external experts make presentations to the Board on the business environment, regulatory changes, operations, and other developments on a regular basis to enhance the knowledge of the Board on matters relevant to the Bank's operations. The NEDs dedicate approximately eighty-four days per annum for the affairs of the Bank and those Directors who are also on the BAC and the BIRMC dedicate at least further ten days each for the affairs of the Bank.	✓
A.1.7 If necessary in the best interest of the Bank, one-third of the Directors can call for a resolution to be presented to the Board.		✓
A.1.8 Board induction and training	Refer Section on "Induction and Training of Directors" on page 189.	✓

Code ref.	Compliance and implementation	Complied
A.2	Separating the business of the Board from the executive responsibilities for management of the Company The positions of the Chairman and the CEO have been separated in line with best practice in order to maintain a balance of power and authority. The Chairman is an Independent Non-Executive Director whilst the CEO is an Executive Director appointed by the Board. The roles of the Chairman and the CEO are clearly defined in the approved Board paper and the Board Charter.	
A.3	Chairman's role in preserving good corporate governance The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with KMP, acting as a sound board on strategic and operational matters. The agenda for Board meetings is developed by the Chairman in consultation with the Directors, the CEO, and the Company Secretary, taking into consideration matters relating to strategy, performance, resource allocation, risk management, and compliance. Sufficiently detailed information on matters included in the agenda is provided to the Directors on time. Both Executive Directors and NEDs ensure the balance of power on the Board, for the benefit of the Bank, by effectively participating in decision making. All Directors have been made aware of their duties and responsibilities and the Board and Committee structures. All Directors are encouraged to seek information necessary to discuss matters on the agenda. Views expressed by Directors on issues under consideration are recorded in the minutes.	
A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance The Chairman of the BAC who is a NED is a Fellow member of the CA Sri Lanka ensuring a sufficiency of financial acumen within the Board on matters of finance. Additionally, EDs and a NED are professionals with vast experience on matters of finance.	
A.5	Board balance The Chairman is an Independent Non-Executive Director. The Board comprises of ten NEDs and two EDs facilitating an appropriate balance within the Board. NEDs are independent of management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect which are evaluated to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and this Code. There are no Alternate Directors appointed to represent the Directors of the Bank.	
A.6	Provision of appropriate and timely information Board members receive information regarding matters set before the Board a week prior to the meetings. The Chairman ensures that all Directors are properly briefed on same by requiring the presence of members of the Corporate Management when deemed necessary. Management also makes presentations on regular agenda items to the Board and its Committees. Additionally, the Directors have access to members of the Corporate Management to seek clarifications or additional information on matters presented to the Board. Directors who are unable to attend a meeting is updated on proceedings through formally documented minutes, which are also discussed at the next meeting to ensure follow-up and proper recording. Minutes of a meeting is ordinarily provided to Directors at least within two weeks after the meeting date.	
A.7	Appointments to the Board and re-election Refer Section on "Appointments/retirements and resignations of Directors" given on page 188 and Report of the BNGC on pages 201 and 202.	
A.8	All Directors should submit themselves for re-election at regular intervals Refer Section on "Re-election/election of Directors" on page 189. In the event of resignation of a Director prior to completion of his/her appointed term, such resignation including reasons for decision shall be communicated in writing.	
A.9	Appraisal of Board and Board Committee performance Refer Section on "Board and Board Committee Evaluations" on page 190.	
A.10	Annual Report to disclose specified information regarding Directors Information specified in the Code with regard to Directors is disclosed within this Annual Report as follows: Profiles including qualifications, expertise, material business interests and key appointments on pages 162 to 167. Directors' Interest in contracts with the Bank on page 230. Remuneration paid to Directors in Note 21 to the Financial Statements on page 311. Related Party Disclosures in Note 62 to the Financial Statements on pages 384 to 388. Membership of Committees and attendance at Board meetings and Committee meetings on page 183 and pages 195 to 215.	
A.11	Appraisal of the CEO Refer section on "Appraisal of the CEO" on page 190.	

Code ref.	Compliance and implementation	Complied
B. Directors' remuneration		
B.1 Remuneration procedure	Refer section on "Directors' and Executive remuneration" on page 189 and Report of the BHRRC on pages 203 and 204.	
B.2 Level and make-up of remuneration	Refer section on "Level and make-up of remuneration" on page 189.	
B.3 Disclosures related to remuneration in Annual Report	Section on Directors' and Executive remuneration – Refer page 189. Details of remuneration of the Board – Refer Note 21 to the Financial Statements on page 311. Report of the BHRRC – Refer pages 203 and 204. Compensation to KMP – Refer Note 62.2.1 to the Financial Statements on page 384.	
C. Relations with shareholders		
C.1 Constructive use of the AGM and conduct of other General Meetings	The AGM provides a forum for all shareholders to participate in decision-making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, election and re-election of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007 (as amended). Separate resolutions are proposed for each material issue. The Chairman ensures the presence of the Chairmen of the BAC, BHRRC, BNGC and BRPTRC to respond to any questions that may be directed to them. Notice of the AGM is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM fifteen working days in advance. The Bank ensures that all valid proxy appointments received for the AGM are counted and properly recorded. A summary of the procedures governing voting at General Meetings is included under "Shareholder engagement and voting" section on page 190 of this Annual Report. Where a vote is required on a show of hands, the Bank will ensure that information required under the Code will be made available at the meeting and be published in the website within a month from the date of the AGM.	
C.2 Communication with shareholders	The Shareholder Communication Policy sets out multiple channels of communication for engaging with shareholders. Channels include investor section of the website at http://www.combank.lk/investors , press releases and notices in English, Sinhala and Tamil newspapers and required disclosures to the CSE which are published on the CSE website. The Bank's website provides information on risk management, economy and financial markets in addition to the financial information. The Interim Financial Statements are published in English, Sinhala and Tamil newspapers within stipulated deadlines. Every effort is made to ensure that the Annual Report provides a balanced review of the Bank's performance. The principal forum for shareholders is the AGM, while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner in keeping with the corporate values of the Bank. Matters raised in writing are responded to in writing by the Company Secretary.	
C.3 Disclosure of major and material transactions	The Shareholders Communication Policy addresses the need to disclose major and material transactions to shareholders as required by the rules and regulations of the SEC and the CSE and the Bank has in place a defined process to comply with the requirements. There were no transactions which would materially alter the Bank's or Group's net assets nor any major related party transactions apart from those disclosed as follows: • Shareholder engagement and voting on page 190. • Statement of Compliance on pages 216 to 223. • Related Party Disclosures as disclosed in Note 62 to the Financial Statements on pages 384 to 388.	
D. Accountability and audit		
D.1 Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, and challenges, opportunities and prospects	All efforts are taken to ensure that the Annual Report presents a balanced review of the Bank's financial position, performance, Business Model, Governance, Structure, Risk Management, Internal Controls, and Challenges, Opportunities and Prospects combining narrative and visual elements to facilitate readability and comprehension. Due care has been exercised to ensure that all statutory requirements are compiled within the Annual Report and the issue of interim communications on financial performance which are reviewed by the BAC and recommended prior to publication. The following disclosures as required by the Code are included in this Report:	

Code ref.	Compliance and implementation	Complied
	- Management Discussion and Analysis – Refer pages 62 to 159. - Annual Report of the Board of Directors – Refer pages 03 and 04. - Statement of Compliance – Refer pages 216 to 223. - Statement of Directors’ Responsibility for Financial Reporting – Refer pages 224 and 225. - Directors’ Statement on Internal Control over Financial Reporting and Risk Management – Refer pages 226 and 227. - Managing Director/Chief Executive Officer’s and Chief Financial Officer’s Statement of Responsibility on page 229. - Independent Auditors’ Report on page 228. - Related Party Transactions disclosed in Note 62 to the Financial Statements on pages 384 to 388 and the process in place is described in the Report of the BRPTRC on pages 205 and 206. In the unlikely event of the net assets of the Company falling below 50% of Shareholders’ Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. The Annual Report clearly explains how net assets have increased during the year in the Financial Review on pages 120 to 131.	
D.2	Process of risk management and a sound system of internal control to safeguard shareholders’ investments and the Company’s assets The Board is responsible for determining the risk appetite for achieving the strategic objectives and formulates and implements appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Bank. The BIRMC assists the Board in discharge of its duties with regard to risk management and the BAC assists the Board in the discharge of its duties in relation to internal control which in turn is supported by the Inspection Department. Their responsibilities are summarised in the respective Committee Reports and have been formulated with reference to the requirements of the Code and the Direction on Corporate Governance and the Bank’s business needs. The BIRMC is supported by the Integrated Risk Management function of the Bank and a comprehensive report of how the Bank manages risk is given in the Section on “Risk Governance & Management” on pages 232 to 258 and the Report of the BIRMC on pages 199 and 200.	
D.3	Board Audit Committee (BAC) The BAC comprises of five independent NEDs and a summary of its responsibilities and activities are given in the Report of the BAC as appearing on pages 195 to 198. It is supported by the Internal Audit function of the Bank reporting directly to the BAC. The Chairman of the Committee is Mr R Senanayake, a Fellow member of CA Sri Lanka. The Committee has also appointed Mr Yohan Perera FCA, FCMA as a Consultant to the Committee, who is invited to the meetings. Refer Report of the BAC on pages 195 to 198. The Board also obtains assurance from its External Auditors on the effectiveness of internal controls on financial reporting which is given on page 228.	
D.4	Board Integrated Risk Management Committee (BIRMC) The BIRMC was established in compliance with the Section 3(6) of the Direction No. 11 of 2007, to assist the Board in overseeing the risk management framework of the Bank. It particularly assist the Board oversight of determining risk appetite, identification and classification of risks, reviewing risk management outcomes and mitigation actions, process to manage ESG risks etc. The Committee comprises of 7 NEDs and 1 ED (Managing Director/Chief Executive Officer) and the Committee is chaired by Ms J Lee. The CFO who is also the Secretary to the Committee attend all meetings. CIO and other heads of Strategic Business Units participate for meetings by invitation. A summary of role, responsibilities and activities of the Committee are given in the report of the BIRMC on pages 199 and 200.	
D.5	Board Related Party Transactions Review Committee (BRPTRC) The BRPTRC Committee comprises of 4 Independent NEDs. The two EDs also attend the meetings by invitation. A summary of responsibilities and activities are given in the report of the BRPTRC on pages 205 and 206. The Bank has a Board-approved Related Party Transactions Policy in place which addresses requirements under this section.	
D.6	Code of Ethics The Bank has an internally-developed Code of Business Conduct and Ethics which is applicable for KMP, and all other employees. The Bank also has Board approved policy applicable to dealing in shares of the Bank which are fully compliant with the Listing Rules of the CSE. The Code of Conduct of the Bank is in compliance with the requirements of the Schedule N of the Code on “Code of Business Conduct and Ethics” which encompasses conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record-keeping, fair and transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets including information assets, sexual harassment, discrimination and abuse, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal, fraudulent, or unethical behaviour. Further, the Bank has a well-established whistle-blower process in order to deal with complaints received from various stakeholders in relation to non-compliance with the Bank’s code of business conduct and ethics. Refer sections on “Code of Business Conduct & Ethics” and “Whistleblowing” on pages 192 and 193.	 

Code ref.	Compliance and implementation	Complied
D.7	Corporate governance disclosures	
	The Annual Corporate Governance Report from pages 177 to 194 comply with the disclosure requirements of the Code.	
E. & F.	Encourage voting at AGM	
	The Bank has 15,857 ordinary voting shareholders as at end 2023, of which 660 are institutional shareholders. The Bank has regular dialogue with the large institutional shareholders and any concerns of these institutional shareholders expressed at the meetings is communicated to the Board as a whole. All shareholders are encouraged to exercise their voting powers at the AGM. The Bank facilitates the analysis of its securities by encouraging both foreign and local analysts covering the Bank with structured meetings where they are able to obtain information and explanations required for evaluating the current and future performance of the Bank, sector and country. Additionally, the investor relations section on the Bank's website has key information required by shareholders and analysts. The Interactive Annual Report also has a tab where investors can provide feedback and request for specified information. All prospectuses include a clause which require all prospective investors in shares and debentures of the Bank to seek independent professional advice before investing.	
G.	Internet of things and cyber security	
	Refer section on "Internet of things and cyber security" on page 193.	
H.	Sustainability: ESG Risks and Opportunities	
	The Board considers Sustainability/ESG-related risks and opportunities in the Bank's business model, short-and medium-term planning and in its long-term strategy that could reasonably be expected to affect the Bank's prospects. The Board and the KMPs engage with and consider the views of its stakeholders to better understand and manage the Bank's Sustainability/ESG-related risks and opportunities and have integrated sustainability/ESG related policies and practices into Bank's strategy, business model, governance and risk management. The Annual Report contains information which enables investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported as described under following sections of the Annual Report. Connecting with Stakeholders and Material Matters on pages 42 to 47. Business model for sustainable value creation on pages 54 to 61. Management Discussion and Analysis on pages 62 to 159. Governance and Risk Management on pages 160 to 258. This Annual Report has been prepared in accordance with International <IR> Framework – January 2021, GRI Guidelines, "A Preparer's Guide to Integrated Corporate Reporting", "Handbook on Integrated Corporate Reporting" and "Guideline on Non-financial Reporting" published by CA Sri Lanka.	
I.	Establishment and Maintenance of Policies	
I.1	Policies relating to governance are maintained by the Bank and details relating to implementation of such policies are hosted in the website. A List of such policies is given below; • Matters relating to the Board of Directors • Board Committees • Corporate Governance, Nominations and Re-election • Remuneration • Internal Code of Business conduct and ethics for all Directors and employees, including policies on trading in the Bank's Listed Securities • Risk Management and Internal Controls • Relations with Shareholders and Investors • Environmental, Social and Governance Sustainability • Control and Management of Company Assets and Shareholder Investments • Corporate Disclosures • Whistleblowing • Anti-Bribery and Corruption	To be complied on or before October 01, 2024. (Effective date of the related Listing Rule of the CSE)
I.2	The Bank has established and maintain a formal policy governing matters relating to the Board of Directors. The policy should inter-alia address Board balance, diversity, frequency of meetings, maximum number of directors, number of meetings a Director should attend etc.	

Annex 1.3: Compliance with Section 9 of the Listing Rules issued by the Colombo Stock Exchange

Section	Principle, compliance and implementation	Effective date	Complied
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules This disclosure given in this Annexure fulfils this requirement.	October 01, 2023	
9.2.1	The Bank shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Bank on its website. (a) Policy on the matters relating to the Board of Directors (b) Policy on Board Committees (c) Policy on Corporate Governance, Nominations and Re-election (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistleblowing (l) Policy on Anti-Bribery and Corruption	October 01, 2024	To be complied on or before the effective date
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	October 01, 2024	None
9.2.3	(i) List of policies in place as per Section 9.2.1, with reference to website (ii) Any changes to policies adopted	October 01, 2024	To be complied on or before the effective date
9.2.4	The Bank has a process in place to make available policies referred in Section 9.2.1 above, to shareholders upon a written request being made for any such Policy.	October 01, 2024	To be complied on or before the effective date
9.3.1	The Bank shall ensure that the following Board Committees are established and maintained at a minimum and are functioning effectively. The said Board Committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (To perform Audit and Risk Functions) (d) Related Party Transactions Review Committee. The Board has established ten Committees including six mandatory Committees of which two separate Committees have been established to perform Audit and Risk Functions. Refer Figure 40 – "Governance Structure" on page 181. Pursuant to the provisions of the Banking Act Directions No. 01 of 2023 dated February 02, 2023 issued by the Central Bank of Sri Lanka (CBSL), all licensed banks are, inter alia, mandatorily obliged to establish a board level Subcommittee to operate during the years 2023 and 2024. The Committee is responsible for evaluating and approving, non-essential and/or non-urgent expenditure and/or capital expenditure to be incurred by the Bank, if any. Accordingly, the Bank being legally obliged established a Board Capital Expenditure Review Committee (BCERC) to ensure compliance with the provisions of the said Direction.	October 01, 2023	
9.3.2	The Bank shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in these Rules. Refer Sections 9.11, 9.12, 9.13 & 9.14 below.	October 01, 2023	
9.3.3	The Chairperson of the Board of Directors of the Bank shall not be the Chairperson of the Board Committees referred to in Section 9.3.1 above.	October 01, 2024	To be complied on or before the effective date

Section	Principle, compliance and implementation	Effective date	Complied
9.4.1	The Bank shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Bank. The Bank shall provide copies of the same at the request of the Exchange and/or the SEC. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained	October 01, 2023	✓
9.4.2	(a) The policy on effective communication and relations with shareholders and investors Refer "Shareholder Communication Policy" on page 190. (b) The contact person for such communication Refer inner back cover (c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders Refer "Shareholder Communication Policy" on page 190.	October 01, 2023	✓
9.5.1	The Bank shall establish and maintain a formal policy governing matters relating to the Board of Directors. The policy shall include the contents specified under Section 9.5.1 of the Listing Rules.	October 01, 2023	✓
9.5.2	Policy on matters relating to the Board of Directors Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-complied reasons for the same with proposed remedial action.	October 01, 2023	✓
9.6.1	The Chairperson of the Bank shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed in terms of Rule 9.6.3 below. "Composition of the Board and Attendance" on page 183.	October 01, 2023	✓
9.6.2	Where the Chairperson of a Listed Entity is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such entity shall make a market announcement within a period of one (1) month from the date of implementation of these Rules. or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these Rules. Not applicable since there is a clear separation of duties between the roles of the Chairman and CEO	October 01, 2023	✓
9.6.3	Report of Senior Independent Director (SID) demonstrating the effectiveness of duties Not applicable since there is no SID	October 01, 2023	N/A
9.6.4	Rationale for appointing SID Not applicable since there is no SID	October 01, 2023	N/A
9.7.1	The Bank shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules: In evaluating fitness and propriety of the persons referred in these Rules, the Bank shall utilise the 'Fit and Proper Assessment Criteria' set out in Section 9.7.3 below	October 01, 2023	✓
9.7.2	The Bank shall ensure that persons recommended by the Nominations and Governance Committee for Directorship meet fit and Proper criteria as required in terms of these Rules before such nominations are placed at the shareholders' meeting or appointments are made.	October 01, 2023	✓
9.7.3	A Director or the CEO of the Bank shall not be considered 'fit and proper' if she or he does not possess the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" in Section 9.7.3 (a), (b) and (c) respectively.	April 01, 2024	✓
9.7.4	The Bank shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in Section 9.7.3 during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	October 01, 2023	✓
9.7.5	(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken Board of Directors and profiles are given on pages 160 to 167. Item 08 of the Statement of Compliance given on page 216.	October 01, 2023	✓
9.8.1	The Board of Directors of the Bank, at a minimum, consist of five (05) Directors. The Board of Directors of the Bank consist of 12 Directors.	October 01, 2024	✓

Section	Principle, compliance and implementation	Effective date	Complied
9.8.2	Minimum Number of Independent Directors (a) The Board of Directors of the Bank shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. The Board has 10 Independent Directors, which is well above the above requirement. Refer Figure 41 – “Composition of the Board and Attendance” on page 183. (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the change. There was no change to this ratio during the year.		
9.8.3	A Director shall not be considered independent if he/she does not fulfil the criteria defining independence under Section 9.8.3 of the Listing Rules. All the Independent Directors of the Bank fulfil the criteria defining independence under Section 9.8.3 of the Listing Rules.	Criteria 9.8.3 (i) to (viii) October 01, 2023 Criteria 9.8.3 (ix) October 01, 2024	✓
9.8.5	Process in place for the determination of ‘Independence’ of the Directors (a) Each Director to submit a signed and dated declaration annually of his or her independence or non-independence (b) Names of Directors determined to be ‘independent’ Refer Figure 41 – “Composition of the Board and Attendance” on page 183. (c) Immediate market announcement to be made if the Board determines that the independence of an Independent Director has been impaired.	October 01, 2023	✓
9.9	Requirements to be complied in relation to ‘Alternate Directors’. The Articles of Association of the Bank does not provide for appointment of Alternate Directors.	January 01, 2024	N/A
9.10.1	The Bank shall disclose its policy on the maximum number of directorships it’s Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above. As per the Terms of Reference of the Board Nominations and Governance Committee, which is in compliance with the requirements of the Banking Act Direction No. 11 of 2007, the maximum number of directorships it’s Board members shall be permitted to hold is twenty.	October 01, 2023	
9.10.2	The Bank shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the brief resume of such Director, his/her capacity of directorship; and, Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Bank.	October 01, 2023	✓
9.10.3	The Bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Section 9.3.1 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	October 01, 2023	✓
9.10.4	Directors details – name, qualifications and brief profile – nature of his/her expertise in relevant functional areas – whether either the Director or Close Family Members has any material business relationships with other Directors – whether Executive, Non-Executive and/or Independent Director – total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as Executive or Non-Executive (If the directorships are within the Group names need not be disclosed) – number of Board meetings attended – names of Board Committees in which the Director serves as Chairperson or a member – Attendance of Board Committee meetings Board of Directors and profiles are given on pages 160 to 167. Composition of the Board and attendance on page 183. Directors’ interest in contracts with the Bank on pages 230 to 231. Board subcommittee reports on pages 195 to 215. – TOR and powers of SID	October 01, 2023	✓
			N/A

Section	Principle, compliance and implementation	Effective date	Complied
9.11	Board Nominations and Governance Committee (BNGC)		✓
9.11.1	Bank shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11. The Bank has a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11.	October 01, 2024	✓
9.11.2	The Bank shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee. Refer section on "Reelection/election of Directors" on page 189. Refer Report of the Board Nominations and Governance Committee on pages 201 and 202.	October 01, 2024	✓
9.11.3	The Nominations and Governance Committee shall have a written Terms of Reference clearly defining the scope, authority, duties and matters pertaining to the quorum of meetings Refer Report of the Board Nominations and Governance Committee on pages 201 and 202.	October 01, 2024	✓
9.11.4	Composition of the Nominations and Governance Committee (1) The members of the Nominations and Governance Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors. (3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity Refer the Composition of the Nominations and Governance Committee given on pages 201 and 202.	October 01, 2024	✓
9.11.5	The functions of the Nominations and Governance Committee Refer the Report of the Board Nominations and Governance Committee on pages 201 and 202.	October 01, 2024	✓
9.11.6	Nominations and Governance Committee Report – Names of Chairperson and members with nature of directorship – Date of appointment to the Committee – Availability of documented policy and processes when nominating Directors – Requirement of re-election at regular intervals at least once in 3 years – Board diversity – Effective implementation of policies and processes relating to appointment and re-appointment of Directors – Details of Directors re-elected – Periodic evaluation on the performance of the Board – Process adopted to inform Independent Directors of major issues. – Induction/orientation programs for new Directors on corporate governance, Listing Rules, securities market regulations or an appropriate negative statement – Annual update for all Directors on corporate governance, Listing Rules, securities market regulations or an appropriate negative statement – Compliance with independence criteria – Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions Refer the Report of the Board Nominations and Governance Committee on pages 201 and 202.	October 01, 2024	To be complied on or before the effective date
9.12	Board Human Resources and Remuneration Committee (BHRRC)		
9.12.3	Remuneration Committee The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration. Refer "Directors' and Executive remuneration" given on page 189.	October 01, 2023	✓

Section	Principle, compliance and implementation	Effective date	Complied
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired. Refer "Directors' and Executive remuneration" given on page 189.	October 01, 2023	✓
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings. Refer the Report of the BHRRC on pages 203 and 204.	October 01, 2023	✓
9.12.6	Composition of the Remuneration Committee (1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) In a situation where both the parent company and the subsidiary are listed entities, the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors. Refer the Report of the BHRRC on pages 203 and 204.	October 01, 2024 October 01, 2023 October 01, 2023	✓
9.12.7	The functions of the Remuneration Committee Refer the Report of the BHRRC on pages 203 and 204.	October 01, 2023	✓
9.12.8	Remuneration Committee Report – Names of Chairperson and members with nature of directorship – Statement regarding the Remuneration Policy – The aggregate remuneration of the Executive and Non-Executive Directors. Refer the Report of the BHRRC on pages 203 and 204. Refer Note 62 to the Financial Statements on "Related Party Disclosure" on pages 384 to 388.	October 01, 2023	✓
9.13	Board Audit Committee (BAC)		
9.13.1	Perform Audit and Risk functions specified in Section 9.13.4 of the Listing Rules. The Audit functions of the Section 9.13.4 are performed by the BAC while a separate Committee, BIRMC has been formed to perform the Risk functions.	October 01, 2023	✓
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties. The BAC has a written terms of reference clearly defining its scope, authority and duties. Refer Report of the BAC on pages 195 to 198.	October 01, 2023	✓
9.13.3	(1) The members of the Audit Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors of the Listed Entity. (2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. (3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. (4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary. (5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. (6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation. (7) The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.	October 01, 2024	✓

Section	Principle, compliance and implementation	Effective date	Complied
9.13.4	The functions of the Audit Committee Refer the Report of the BAC on pages 195 to 198.	October 01, 2024	✓
9.13.5	Disclosures in the Annual Report (1) The Bank shall prepare an Audit Committee Report which shall be included in the Annual Report (2) The Audit Committee Report shall contain disclosures set out in Section 9.13.5 (2) Refer the Report of the BAC on pages 195 to 198.	October 01, 2024	✓
9.14	Board Related Party Transactions Review Committee (BRPTRC)		
9.14.1	The Bank shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Section 9.14. The BRPTRC of the Bank conforms to the requirements of the Section 9.14 as given below.	October 01, 2023	✓
9.14.2	Composition of the Related Party Transactions Review Committee (1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include Executive Directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee. The BRPTRC of the Bank comprises of four (4) Independent NEDs. The two EDs also attend the meetings by invitation. The Chairman of the BRPTRC is an Independent NED. (2) If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary. The BRPTRC of the Bank functions as the Related Party Transactions Review Committee of its listed subsidiary company.	April 01, 2024 October 01, 2023	✓
9.14.3	Functions of the Related Party Transactions Review Committee as set out in Section 9.14.3. Refer the Report of the BRPTRC on pages 205 and 206.	October 01, 2023	✓
9.14.4	General Requirements (1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. (2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person. (3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. (4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: (a) be present while the matter is being considered at the meeting; and, (b) vote on the matter Refer the Report of the BRPTRC on pages 205 and 206.	October 01, 2023	✓
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee Refer the Report of the BRPTRC on pages 205 and 206.	October 01, 2023	✓
9.14.6	Shareholder approval The Bank shall obtain shareholder approval by way of a Special Resolution for the Related Party Transactions as set out in Section 9.14.6. The RPTs policy of the Bank provides for obtaining shareholder approval by way of a Special Resolution for non-recurrent and recurrent RPTs identified in this Section. There were no RPTs during the year which required Shareholder approval as set out in Section 9.14.6.	October 01, 2023	✓

Section	Principle, compliance and implementation	Effective date	Complied
9.14.7	The Bank shall make an immediate Market Announcement to the Exchange for RPTs as set out in Section 9.14.7 (a) and (b). The RPTs policy of the Bank provides for making an immediate Market Announcement to the Exchange for RPTs identified in this Section. There were no RPTs during the year which required immediate Market Announcement as set out in Section 9.14.7.	October 01, 2023	
9.14.8 (1)	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format) Refer Note 62 to the Financial Statements on "Related Party Disclosure" on pages 384 to 388.	October 01, 2023	
9.14.8 (2)	Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format) Refer Note 62 to the Financial Statements on "Related Party Disclosure"	October 01, 2023	
9.14.8 (3)	Related Party Transactions Review Committee Report - Names of the Directors comprising the Committee - Statement that Committee has reviewed RPTs and communicated comments/observations to the Board - Policies and procedures adopted by the Committee Refer the Report of the BRPTRC on pages 205 and 206.	October 01, 2023	
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect. Refer the Annual Report of the Board of Directors on pages 03 and 04.	October 01, 2023	
9.14.9	Acquisition and disposal of assets from/ to Related Parties Except for transactions set out in Section 9.14.10, the Bank shall ensure that neither the Bank nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution. During the year, there were no acquisition/disposal of substantial assets from/to Related Parties.	October 01, 2023	
9.16	Additional disclosures by Board of Directors Declaration on following; - All material interests in contracts involving in the Bank and have refrained from voting on matters in which they were materially interested - Review of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so; - Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; - Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations. Refer item 35 of the Statement of Compliance given on pages 221 and 222.	October 01, 2023	

Annex 1.4: Disclosure Requirements in Annual Financial Statements as required by the CBSL

Disclosure requirements under the prescribed format issued by the Central Bank of Sri Lanka for preparation, presentation and publication of Annual Audited Financial Statements of Licensed Commercial Banks via the Circular No.02 of 2019 dated January 18, 2019

Disclosure requirements	Description	Page No/s.
1. Information about the significance of financial instruments for financial position and performance		
1.1 Statement of Financial Position		
1.1.1 Disclosures on categories of financial assets and financial liabilities.	<i>Notes to the Financial Statements:</i> Note 26 – Classification of financial assets and financial liabilities	315 and 316
1.1.2 Other disclosures		
(i) Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	<i>Material Accounting Policies:</i> Note 7.1.3.5.2 Financial assets designated at FVTPL Note 7.1.4.1.2 Financial liabilities designated at FVTPL	292 292
(ii) Reclassifications of financial instruments from one category to another.	<i>Material Accounting Policies:</i> Note 7.1.6 – Reclassification of financial assets and liabilities	294
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	<i>Notes to the Financial Statements:</i> Note 66.1.4 – Collateral held	405
(iv) Reconciliation of the impairment allowance account for credit losses by class of financial assets.	<i>Notes to the Financial Statements:</i> Movement in provision for impairment during the year for each classes of assets are given in the following Notes Note 28.1 – Cash and cash equivalents, 30.1 – Placements with banks, Notes 33.2 and 33.3 (c) – Financial assets at amortised cost – Loans and advances to other customers and Lease/hire purchase receivable, Note 34.1 – Financial assets at amortised cost – Debt and other financial instruments, Note 35.2 – Financial assets measured at fair value through other comprehensive income	320 322 328 and 330 331 333
(v) Information about compound financial instruments with multiple embedded derivatives.	<i>Material Accounting Policies:</i> Note 7.1.5.5 Embedded derivatives The Bank does not have compound financial instruments with multiple embedded derivatives.	294
(vi) Breaches of terms of loan agreements.	None	–
1.2 Statement of Comprehensive Income		
1.2.1 Disclosures on items of income, expense, gains, and losses.	<i>Notes to the Financial Statements:</i> Notes 12 to 23 to the Financial Statements	302 to 313
1.2.2 Other disclosures		
(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss.	<i>Notes to the Financial Statements:</i> Note 13 – Net interest income	302 to 304
(ii) Fee income and expense.	<i>Notes to the Financial Statements:</i> Note 14 – Net fee and commission income	304 and 305
(iii) Amount of impairment losses by class of financial assets.	<i>Notes to the Financial Statements:</i> Note 18 – Impairment charges and other losses	306 to 309
(iv) Interest income on impaired financial assets.	<i>Notes to the Financial Statements:</i> Note 13.1 – Interest income	302
1.3 Other disclosures		
1.3.1 Accounting policies for financial instruments.	<i>Material Accounting Policies:</i> Note 7.1 – Financial instruments – Initial recognition, classification and subsequent measurement	290
1.3.2 Information on financial liabilities designated at FVTPL.	<i>Material Accounting Policies:</i> Note 7.1.4.1.2 Financial liabilities designated at FVTPL	292

Disclosure requirements	Description	Page No/s.
1.3.3 Investments in equity instruments designated at FVOCI	<i>Notes to the Financial Statements:</i>	
(i) Details of equity instruments that have been designated at FVOCI and the reasons for the designation.	Note 35 – Financial assets measured at fair value through other comprehensive income	332 to 334
(ii) Fair value of each investment at the reporting date.	<i>Notes to the Financial Statements:</i> Note 35.3 (a) and 35.3 (b) – Equity securities	333 and 334
(iii) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date.	<i>Notes to the Financial Statements:</i> Note 17 – Net other operating income	306
(iv) Transfer of cumulative gain or loss within equity during the period and the reasons for those transfers.	Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity.	268 and 270 to 277
(v) If investments in equity instruments measured at FVOCI are derecognised during the reporting period, – reasons for disposing of the investments – fair value of the investments at the date of derecognition – the cumulative gain or loss on disposal	Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity.	268 and 270 to 277
1.3.4 Reclassification of financial assets		
(i) For all reclassifications of financial assets in the current or previous reporting period – date of reclassification – detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements – the amount reclassified into and out of each category	<i>Material Accounting Policies:</i> Note 7.1.6 Reclassification of financial assets and liabilities. During the year 2023, the Bank did not reclassify financial assets. However, during the year 2022, the Bank reclassified financial assets. Refer Note 35.1 for details.	294 and 333
(ii) For reclassifications from FVTPL to amortised cost or FVOCI – the effective interest rate (EIR) determined on the date of reclassification – the interest revenue recognised	During the current or previous year, the Bank did not reclassify financial instruments from FVTPL to amortised cost or FVOCI.	–
(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI – the fair value of the financial assets at the reporting date – the fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified	During the year 2023, the Bank did not reclassify financial assets from FVOCI to amortised cost or FVTPL to amortised cost or FVOCI. However, during the year 2022, the Bank reclassified financial assets as disclosed under Note 7.1.6 Reclassification of financial assets and liabilities and Note 35.1 – Government Securities	294 and 333
1.3.5 Information on hedge accounting	<i>Material Accounting Policies:</i> Note 7.1.5 – Derivatives held for risk management purposes and hedge accounting	293
1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:		
(i) Comparable carrying amounts.	<i>Notes to the Financial Statements:</i> Note 27.1 – Assets and liabilities measured at fair value and fair value hierarchy Note 27.3 – Financial instruments not measured at fair value and fair value hierarchy	317 318
(ii) Description of how fair value was determined.	<i>Material Accounting Policies:</i> Note 4 and 27 - Fair value measurement	288 and 316 to 320
(iii) The level of inputs used in determining fair value.	<i>Notes to the Financial Statements:</i> Note 27.3 – Financial instruments not measured at fair value and fair value hierarchy Note 27.4 – Valuation techniques and inputs in measuring fair values Note 38.5 (b) and 38.5 (c) – Information on valuations of freehold land and buildings of the Bank	318 320 343 and 348
(iv) a. Reconciliations of movements between levels of fair value measurement hierarchy. b. Additional disclosures for financial instruments that fair value is determined using level 3 inputs.	There were no movements between levels of fair value hierarchy during the year under review. <i>Notes to the Financial Statements:</i> Note 27.2 – Level 3 Fair value measurement	– 318
(v) Information if fair value cannot be reliably measured.	None	–
2. Information about the nature and extent of risks arising from financial instruments		
2.1 Qualitative disclosures		
2.1.1 Risk exposures for each type of financial instrument	<i>Material Accounting Policies:</i> Note 3 – Financial Risk Management <i>Notes to the Financial Statements:</i> Note 66 – Financial Risk Review	284 to 288 390 to 420

Disclosure requirements	Description	Page No/s.
2.1.2 Management's objectives, policies and processes for managing those risks.	<i>Material Accounting Policies:</i> Note 3 – Financial Risk Management	284 to 288
	Refer the Section on "Risk Governance and Management" for comprehensive disclosure of Management's objectives, policies and processes.	232 to 258
2.1.3 Changes from the prior period.	There were no major policy changes during the year under review.	–
2.2 Quantitative disclosures		
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date.	<i>Notes to the Financial Statements:</i> Note 66 – Financial Risk Review	390 to 420
2.2.2 Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.		
(i) Credit risk		
(a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets.	<i>Notes to the Financial Statements:</i> Note 66.1.1 – Credit Quality Analysis Note 66.1.4 – Collateral Held	391 405
(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset.	<i>Notes to the Financial Statements:</i> Note 66.1.1 – Credit Quality Analysis Note 18 – Impairment charges and other losses – collateral valuation for the description on collaterals Note 66.1.4 – Collateral Held <i>Material Accounting Policies:</i> Note 7.1.12 – Identification and measurement of impairment of financial assets for factors considered in determining the financial assets as impaired	391 306 to 309 405 295
(c) Information about collateral or other credit enhancements obtained or called.	<i>Notes to the Financial Statements:</i> Note 66.1.4 – Collateral Held	405
(d) Credit risk management (CRM) practices		
– Information about CRM practices and how they relate to the recognition and measurement Expected Credit Losses (ECL), including the methods, assumptions and information used to measure ECL	<i>Material Accounting Policies:</i> Note 2.12.5 – Impairment losses on financial assets Note 7.1.12 – Identification and measurement of impairment of financial assets <i>Notes to the Financial Statements:</i> Note 18 – Impairment charges and other losses	282 295 306 to 309
– Quantitative and qualitative information to evaluate the amounts in the Financial Statements arising from ECL, including changes and the reasons for those changes	<i>Notes to the Financial Statements:</i> Note 18 – Impairment charges and other losses Note 66.1.1 – Credit Quality Analysis	306 to 309 391
– How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition, including whether and how financial instruments are considered to have low credit risk, including the classes of financial instruments to which the low credit risk exception has been applied; and the presumption that financial assets with contractual payments more than 30 days past due (DPD) have a significant increase in credit risk (SICR) has been rebutted	<i>Material Accounting Policies:</i> Note 7.1.12.2 – Significant increase in credit risk	296
– The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions	<i>Material Accounting Policies:</i> Note 7.1.12.3 – Definition of default and credit impaired assets	296
– How instruments are grouped if ECL are measured on a collective basis	<i>Material Accounting Policies:</i> Note 7.1.12.5 Grouping financial assets measured on collective basis <i>Notes to the Financial Statements:</i> Note 18 – Impairment charges and other losses	296 306 to 309
– How the Bank determines that financial assets are credit-impaired	<i>Material Accounting Policies:</i> Note 7.1.12.3 – Definition of default and credit impaired assets	296
– The Bank's write-off policy, including the indicators that there is no reasonable expectation of recovery	<i>Notes to the Financial Statements:</i> Note 18 – Impairment charges and other losses – "Write off of financial assets"	306 to 309
– How the modification requirements have been applied, including how the bank determines whether the credit risk of a financial asset that has been modified subject to a lifetime ECL allowance has been improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month ECL and monitors the extent to which the loss allowance on those assets subsequently reverts to being measured at an amount equal to lifetime ECL	<i>Material Accounting Policies:</i> Note 7.1.8 – Modification of financial assets and financial liabilities <i>Notes to the Financial Statements:</i> Note 66.1.1 (b) Credit exposure movement – ECL stage-wise Note 66.1.1 (c) Provision for impairment (ECL) movement	295 395 399

Disclosure requirements	Description	Page No/s.
(e) ECL calculations		
– Basis of the inputs, assumptions and the estimation techniques used when	<i>Material Accounting Policies:</i> Note 2.12.5 – Impairment losses on financial assets	282
– estimating 12 month and lifetime ECL	<i>Notes to the Financial Statements:</i> Note 7.1.12 – Identification and measurement of impairment of financial assets	295
– determining whether the credit risk of financial instruments has increased significantly since initial recognition; and		
– determining whether the financial assets are credit-impaired		
– How forward-looking information has been incorporated into the determination of ECL, including the use of macro-economic information; and	Note 18 – Impairment charges and other losses – “Forward looking information”	306 to 309
– Changes in estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.	<i>Material Accounting Policies:</i> Note 2.12.5 – Impairment losses on financial assets	282
(f) Amounts arising from ECL		
– Reconciliation for each class of financial instrument of the opening balance to the closing balance of the impairment loss allowance	<i>Notes to the Financial Statements:</i> • Movement in provision for impairment during the year for each class of assets is given in Notes 28.1 – Cash and cash equivalents, 30.1 – Placements with banks, 33.2 and 33.3 (c) – Financial assets at amortised cost – Loans and advances to other customers and Lease/hire purchase receivables, 34.1 – Financial assets at amortised cost – Debt and other financial instruments, 35.2 – Financial assets measured at fair value through other comprehensive income	320 322 328 330 331 333
– Explain the reasons for changes in the loss allowances in the reconciliation	Note 66.1.1 (c) Provision for impairment (ECL) movement	399
(g) Collateral		
– Amount that best represents the bank’s maximum exposure to credit risk at the reporting date, without taking into account of any collateral held or other credit enhancements;	<i>Notes to the Financial Statements:</i> Note 66.1 – Credit risk	391 to 408
– Narrative description of collateral held as security and other credit enhancements, (except for lease receivables), including;		
– discussion on the nature and quality of the collaterals held;		
– explanation on any significant changes in quality as a result of a deterioration of changes in the bank’s collaterals policies during the reporting period;		
– information about the financial instruments for which the bank has not recognised a loss allowance because of the collateral;		
– quantitative information about the collateral held as security and other credit enhancements;		
– information about the fair value of the collateral and other credit enhancements, or to quantify the exact value of the collateral that was included in the calculation of ECL		
(h) Written-off assets	<i>Notes to the Financial Statements:</i> Note 33.2 – Movement in provision for impairment during the year Note 17 – Net other operating income	328 306
(i) Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	<i>Notes to the Financial Statements:</i> Note 66.5 – Capital management and Pillar III disclosures as per Basel III	419 and 420
(ii) Liquidity risk	<i>Notes to the Financial Statements:</i> Note 60 – Maturity Analysis – Group Note 66.2.2 – Maturity analysis of financial assets and financial liabilities – Bank	380 and 381 410 to 413
(a) A maturity analysis of financial assets and liabilities.		
(b) Description of approach to risk management.	<i>Material Accounting Policies:</i> Note 3 – Financial Risk Management Refer the Section on “Risk Governance and Management”	284 to 288 232 to 258
(c) Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	Annex 2 – Basel III – Disclosures under pillar III as per Banking Act Direction No. 01 of 2016	451 to 463
(iii) Market risk		
(a) A sensitivity analysis of each type of market risk to which the Bank is exposed.	<i>Notes to the Financial Statements:</i> Note 66.3.2 – Exposure to interest rate risk – sensitivity analysis	416 and 417
(b) Additional information, if the sensitivity analysis is not representative of the Bank’s risk exposure.	<i>Notes to the Financial Statements:</i> Note 66.3.3 – Exposure to currency risk – Non-trading portfolio	418
(c) Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	Annex 2 – Basel III – Disclosures under pillar III as per Banking Act Direction No. 01 of 2016	451 to 463
(iv) Operational risk		
Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	Annex 2 – Basel III – Disclosures under pillar III as per Banking Act Direction No. 01 of 2016	451 to 463

Disclosure requirements	Description	Page No/s.
(v) Equity risk in the banking book		
(a) Qualitative Disclosures	<i>Notes to the Financial Statements:</i>	
– Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Note 32 – Financial assets recognised through profit or loss – measured at fair value	323 to 326
	Note 35 – Financial assets measured at fair value through other comprehensive income	332 to 334
– Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 66.3.4 – Exposure to equity price risk	419
(b) Quantitative Disclosures		
– Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value	<i>Notes to the Financial Statements:</i> Note 32 – Financial assets recognised through profit or loss – measured at fair value Note 35 – Financial assets measured at fair value through other comprehensive income	323 to 326 332 to 334
– The types and nature of investments	<i>Material Accounting Policies:</i> Note 7.1.3.4 – Financial assets measured at FVOCI Note 7.1.3.5 – Financial assets measured at FVTPL	292 292
	<i>Notes to the Financial Statements:</i> Note 32 – Financial assets recognised through profit or loss – measured at fair value Note 35 – Financial assets measured at fair value through other comprehensive income	323 to 326 332 to 334
– The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period	Statement of Profit or Loss and Other Comprehensive Income <i>Notes to the Financial Statements:</i> Note 15 – Net gains/(losses) from trading	268 305
(vi) Interest rate risk in the banking book		
(a) Qualitative Disclosures	<i>Notes to the Financial Statements:</i>	
Nature of interest rate risk in the banking book (IRRBB) and key assumptions.	Note 66.3.2 – Exposure to Interest Rate Risk – Sensitivity analysis Refer the Section on “Risk Governance and Management”	416 and 417 232 to 258
(b) Quantitative disclosures		
– The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to the management’s method for measuring IRRBB, broken down by currency (as relevant)	<i>Notes to the Financial Statements:</i> Note 66.3.2 – Exposure to Interest Rate Risk – Sensitivity analysis Refer the Section on “Risk Governance and Management”	416 and 417 232 to 258
2.2.3 Information on concentrations of risk.	<i>Notes to the Financial Statements:</i> Note 66.1.5 – Concentration of credit risk	406 to 408
3. Other disclosures		
3.1 Capital		
3.1.1 Capital structure		
(i) Qualitative disclosures		
Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex, or hybrid capital instruments.	<i>Notes to the Financial Statements:</i> Note 66.5 – Capital Management and Pillar III disclosures as per Basel III	419 and 420
(ii) Quantitative disclosure		
(a) The amount of Tier 1 capital, with separate disclosure of:	<i>Notes to the Financial Statements:</i>	
– Paid-up share capital/common stock	Note 66.5 – Capital Management and Pillar III disclosures as per Basel III	419 and 420
– Reserves	Refer the Section on “Risk Governance and Management”	232 to 258
– Non-controlling interests in the equity of subsidiaries		
– Innovative instruments		
– Other capital instruments		
– Deductions from Tier 1 capital		
(b) The total amount of Tier 2 and Tier 3 capital		
(c) Other deductions from capital		
(d) Total eligible capital		
3.1.2 Capital adequacy	<i>Notes to the Financial Statements:</i>	
(i) Qualitative disclosures	Note 66.5 – Capital Management and Pillar III disclosures as per Basel III	419 and 420
A summary discussion of the Bank’s approach to assessing the adequacy of its capital to support current and future activities.	Refer the Section on “Risk Governance and Management”	232 to 258
(ii) Quantitative disclosures	Note 66.5 – Capital Management and Pillar III disclosures as per Basel III	419 and 420
(a) Capital requirements for credit risk, market risk, and operational risk	Refer the Section on “Risk Governance and Management”	232 to 258
(b) Total and Tier 1 capital ratio		

Annex 2: Basel III – Disclosures under Pillar III as per the Banking Act Direction No. 01 of 2016

Disclosure 1

Key regulatory ratios – Capital and liquidity

	GROUP		BANK	
As at December 31,	2023	2022	2023	2022
Regulatory capital (Rs. '000)				
Common equity	166,649,326	161,743,687	156,847,378	154,397,407
Tier 1 capital	166,649,326	161,743,687	156,847,378	154,397,407
Total capital	218,423,196	206,898,033	207,684,979	198,689,451
Regulatory capital ratios (%)				
Common equity Tier 1 capital ratio (minimum requirement – 8.50%)	11.513	11.341	11.442	11.389
Tier 1 capital ratio (minimum requirement – 10.00%)	11.513	11.341	11.442	11.389
Total capital ratio (minimum requirement – 14.00%)	15.090	14.507	15.151	14.657
Leverage ratio (minimum requirement – 3%)	5.29	5.66	5.10	5.56
Regulatory liquidity				
Statutory liquid assets – Consolidated (Sri Lankan Operations) (Rs. '000)			843,748,779	622,692,705
Statutory liquid assets ratio – Consolidated (Sri Lankan Operations) (minimum requirement – 20%) (%)			46.06	35.88
Liquidity coverage ratio – Rupee (minimum requirement: 2023 – 100%, 2022 – 90%) (%)			491.61	405.91
Liquidity coverage ratio – All currency (minimum requirement: 2023 – 100%, 2022 – 90%) (%)			516.27	293.91
Net stable funding ratio (minimum requirement : 2023 – 100%, 2022 – 90%) (%)			193.70	173.58

Disclosure 2

Basel III computation of capital ratios

	GROUP		BANK	
As at December 31,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Common equity Tier 1 (CET1) capital after adjustments	166,649,326	161,743,687	156,847,378	154,397,407
Total common equity Tier 1 (CET1) capital	204,935,930	196,146,974	198,223,532	191,849,110
Equity capital (stated capital)/assigned capital	62,948,003	58,149,621	62,948,003	58,149,621
Reserve fund	13,586,534	12,079,670	12,375,906	11,352,858
Published retained earnings/(accumulated retained losses)	3,576,101	5,898,150	2,250,494	4,755,271
Published accumulated other comprehensive Income (OCI)	11,661,476	17,825,484	9,819,529	17,440,828
General and other disclosed reserves	110,829,600	100,150,532	110,829,600	100,150,532
Unpublished current year's profit/(losses) and gains reflected in OCI	–	–	–	–
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	2,334,216	2,043,517	–	–

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total adjustments to CET 1 capital	38,286,604	34,403,287	41,376,154	37,451,703
Goodwill (net)	445,147	445,147	–	–
Intangible assets (net)	3,844,254	3,668,050	3,736,504	3,563,120
Revaluation losses of property, plant and equipment	–	–	–	–
Significant investments in the capital of financial institutions where the bank owns more than 10% of the issued ordinary share capital of the entity	–	–	3,563,126	3,587,383
Deferred tax assets (net)	33,997,203	30,290,090	34,076,524	30,301,200
Additional Tier 1 (AT1) capital after adjustments	–	–	–	–
Total additional Tier 1 (AT 1) 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	–	–	–	–
Reciprocal cross holdings in AT 1 capital instruments	–	–	–	–
Investments in the capital of banking and financial institutions where the Bank does not own more than 10% of the issued ordinary share capital of the entity	–	–	–	–
Significant investments in the capital of banking and financial institutions where the bank own more than 10% of the issued ordinary share capital of the entity	–	–	–	–
Regulatory adjustments applied to AT1 due to insufficient Tier 2 capital to cover adjustments	–	–	–	–
Tier 2 capital after adjustments	51,773,870	45,154,346	50,837,601	44,292,044
Total Tier 2 capital	51,773,870	45,154,346	50,837,601	44,292,044
Qualifying Tier 2 capital instruments	30,893,843	24,457,057	30,893,843	24,457,057
Revaluation gains	4,245,025	4,245,025	4,245,025	4,245,025
Eligible impairment	16,635,002	16,452,264	15,698,733	15,589,962
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to Tier 2 capital	–	–	–	–
Investment in own shares	–	–	–	–
Others	–	–	–	–
CET1 capital	166,649,326	161,743,687	156,847,378	154,397,407
Total Tier 1 capital	166,649,326	161,743,687	156,847,378	154,397,407
Total capital	218,423,196	206,898,033	207,684,979	198,689,451
Total Risk-Weighted Amount (RWA)	1,447,512,263	1,426,170,040	1,370,781,562	1,355,629,090
Risk-weighted amount for credit risk	1,330,800,123	1,316,181,150	1,255,898,647	1,247,196,997
Risk-weighted amount for market risk	35,042,071	34,795,507	35,024,836	34,776,000
Risk-weighted amount for operational risk	81,670,069	75,193,383	79,858,079	73,656,093
CET1 capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	11.513	11.341	11.442	11.389
Of which: Capital Conservation Buffer (%)	2.500	2.500	2.500	2.500
Of which: Countercyclical Buffer (%)	–	–	–	–
Of which: Capital Surcharge on D-SIBs (%)	1.500	1.500	1.500	1.500
Total Tier 1 capital ratio (%)	11.513	11.341	11.442	11.389
Total capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	15.090	14.507	15.151	14.657
Of which: Capital Conservation Buffer (%)	2.500	2.500	2.500	2.500
Of which: Countercyclical Buffer (%)	–	–	–	–
Of which: Capital Surcharge on D-SIBs (%)	1.500	1.500	1.500	1.500

Disclosure 3

Leverage ratio

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Tier 1 capital	166,649,326	161,743,687	156,847,378	154,397,407
Total exposures	3,152,965,394	2,856,960,615	3,073,624,948	2,777,299,175
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	2,576,134,591	2,452,984,237	2,497,761,245	2,376,179,949
Derivative exposures	334,113,106	190,348,706	334,113,106	190,348,706
Securities financing transaction exposures	151,689,691	105,539,671	151,689,691	103,838,277
Other off-balance sheet exposures	91,028,006	108,088,001	90,060,906	106,932,243
Basel III leverage ratio (minimum requirement 3%) (%)	5.29	5.66	5.10	5.56

Disclosure 4

Liquidity coverage ratio (LCR)

As at December 31,	2023		2022	
	Total unweighted value Rs. '000	Total weighted value Rs. '000	Total unweighted value Rs. '000	Total weighted value Rs. '000
Total stock of High Quality Liquid Assets (HQLA)	770,542,166	760,373,663	483,964,278	476,447,368
Total adjusted level 1 assets	722,696,096	722,696,096	435,146,578	435,146,578
Level 1 assets	704,528,042	704,528,042	435,146,578	435,146,578
Total adjusted level 2A assets	65,253,025	55,465,071	48,262,685	41,023,282
Level 2A assets	65,253,025	55,465,071	48,262,685	41,023,282
Total adjusted level 2B assets	761,099	380,550	555,015	277,508
Level 2B assets	761,099	380,550	555,015	277,508
Total cash outflows	2,449,592,965	479,455,036	2,265,841,586	462,213,957
Deposits	1,469,116,533	146,911,654	1,268,623,900	126,862,390
Unsecured wholesale funding	643,914,363	289,926,471	682,874,880	300,282,024
Secured funding transaction	–	–	–	–
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	300,966,514	7,021,356	295,415,928	16,142,665
Additional requirements	35,595,555	35,595,555	18,926,878	18,926,878
Total cash inflows	496,833,149	332,174,095	458,161,587	300,105,885
Maturing secured lending transactions backed by collateral	152,142,219	150,857,303	142,604,695	141,330,270
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 calendar days	255,940,175	176,047,187	221,927,624	154,828,065
Operational deposits	78,211,545	–	85,734,167	–
Other cash inflows	10,539,210	5,269,605	7,895,101	3,947,550
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days)*100 (minimum requirement – 100%)		516.27		293.91

Disclosure 5

Net stable funding ratio (NSFR)

As at December 31,	BANK	
	2023 Rs. '000	2022 Rs. '000
Total available stable funding (ASF)	1,933,461,907	1,767,993,757
Total required stable funding (RSF)	998,198,064	1,018,567,849
Required stable funding – On balance sheet assets	992,172,206	1,013,512,135
Required stable funding – Off balance sheet items	6,025,858	5,055,714
NSFR (minimum requirement – 100%) (%)	193.70	173.58

Disclosure 6

Main features of regulatory capital instruments

Description of the Capital Instrument	Stated Capital	Basel III Compliant - Tier 2 Listed, Rated, Unsecured, Subordinated, Redeemable Debentures		Basel III Compliant - Tier 2 Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-viability Conversion	
		2016 - 2026 Type B	2016 - 2026 Type B	2018 - 2028 Type B	2021 - 2026 Type A
Issuer	Commercial Bank				
Unique identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)					
Governing law(s) of the instrument	Sri Lanka				
Original date of issuance	N/A	09.03.2016	28.10.2016	23.07.2018	21.09.2021
Par value of instrument	N/A	Rs. 100/-			
Perpetual or dated	Perpetual	Dated			
Original maturity date, if applicable	N/A	08.03.2026	27.10.2026	22.07.2028	20.09.2026
Amount recognised in Regulatory Capital (in Rs. '000 as at the Reporting Date)	62,948,003	787,091	1,156,920	1,606,160	2,330,609
Accounting classification (equity/liability)	Equity	Liability			
Issuer call subject to prior supervisory approval					
Optional call date, contingent call dates and redemption amount (Rs. '000)	N/A				
Subsequent call dates, if applicable	N/A				
Coupons/Dividends					
Fixed or floating dividend/coupon	N/A	Fixed			
Coupon rate and any related index	N/A	11.25% p.a.	12.25% p.a.	12.50% p.a.	9.00% p.a.
Non-cumulative or cumulative	Non-cumulative	Cumulative			
Convertible or non-convertible					
If convertible, Conversion Trigger (s)	N/A	Not convertible		*	*
If convertible, fully or partially	N/A	N/A		Fully	
If convertible, mandatory or optional	N/A	N/A		**	**
If convertible, conversion rate	N/A	N/A		***	***

(*) A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e. conversion of the said Debentures upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a&b) as a point/event being the earlier of:

(a) A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, OR

(b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board.

(**) Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka upon occurrence of trigger points as detailed above.

(***) The price based on the simple average of the daily volume weighted average price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.

Disclosure 7

Summary discussion on adequacy/meeting current and future capital requirements

The Bank prepares the Corporate Plan and Budget for a period of 5 years which is rolled over every year and contains the forecast for key ratios mentioned under Basel III including the Capital Adequacy Ratios (CARs).

As part of the budgeting process the CARs are computed based on the movements in risk-weighted assets underlying the budgeted expansion of assets, including business volumes. The Bank has set up an internal threshold on minimum CARs and ensures that appropriate measures are taken to maintain the CARs above the said threshold in preparing the budget. The budget also captures the capital augmentation plan covering both internal and external capital sources. The Bank also takes initiatives well in advance to raise Tier I and Tier II capital as detailed in the Budget as well as in the Capital Augmentation plan. The Bank has a well established monitoring mechanism to periodically monitor the level of achievement against pre-determined targets to take timely corrective action in case of significant deviations.

Additionally, the Bank has a dynamic ICAAP process with rigorous stress testing embodied in addition to taking into consideration the qualitative aspects such as reputational and strategic risks. The ICAAP

process also computes the concentration risk ensuring that the Bank has a well-diversified assets portfolio which is not overly exposed to any individual counterparty or sector. In addition ICAAP process also captures the residual risk to assess the amount of risk that remains after controls are accounted for. This process also proactively identifies the possible gaps in CARs in advance, allowing the Bank to take calculated decisions to optimise utilisation of capital.

Methods of improving the CARs are being evaluated on an ongoing basis and in extreme situations, the Bank will deliberate on strategically curtailing the expansion of risk weighted assets. However, prior to taking such decisions, the Bank will assess the impact on the internally developed thresholds of minimum CARs resulting from the short-term asset expansion plans. The Bank periodically analyses the impact of capital by product and by strategic business unit, to understand the extent of capital consumption to ensure the portfolio optimises the available capital. The Bank is committed to maintaining the internal CAR thresholds despite any leniency provided by Central Bank of Sri Lanka (CBSL) during adverse times.

The Bank has set up a separate Committee headed by the Managing Director to suggest improvements with regard to the Capital and CAR. The Committee deliberates on both internal and external improvements in optimising the

utilisation of the capital. During the year, Basel Committee met 3 times and monitored the progress of the activities and suggested many initiatives to improve the utilisation of the capital.

The Bank has developed a basic RAROC framework and are in the process of fine tuning it in order to make use of the model specially when taking credit decisions. RAROC could be used as the basic hurdle rate in lending decisions.

When deciding the dividend for FY 2023, the Bank carried out numerous analysis to identify the most feasible dividend payout, while ensuring a sustainable growth for FY 2024. The dividend is proposed also ensuring the Bank maintains a quarterly CAR above the minimum thresholds as per the Basel III guidelines, taking into account the capital augmentation plans for the year 2024. In the present context since the Bank has investments in the defaulted Foreign currency bonds and therefore carries out numerous computations and analysis to identify the possible impact to the profitability and the CAR due to restructuring of the government bond portfolio. In this regard, a world renowned consultant has been appointed to assist the Bank in restructuring negotiations.

A comprehensive analysis of “Managing Funding and Liquidity: Safeguarding Monetary Fluidity” given on page 72.

Disclosure 8

Credit risk under standardised approach

Credit risk exposures and credit risk mitigation (CRM) effects

As at December 31, 2023	GROUP					
	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On-balance sheet amount (a) Rs. '000	Off-balance sheet amount (b) Rs. '000	On-balance sheet amount (c) Rs. '000	Off-balance sheet amount (d) Rs. '000	RWA (e) Rs. '000	RWA density {e/(c+d)} (%)
Claims on Central Government and Central Bank of Sri Lanka	906,240,426	56,743,750	906,240,426	1,134,875	17,708,600	1.95
Claims on foreign sovereigns and their central banks	170,432,030	–	170,432,030	–	138,469,248	81.25
Claims on Public Sector Entities (PSEs)	5,333,014	–	5,333,014	–	5,333,014	100.00
Claims on Official Entities and Multilateral Development Banks (MDBs)	33,654	–	33,654	–	–	–
Claims on banks exposures	187,063,338	118,932,891	187,063,338	6,709,008	82,902,548	42.78
Claims on financial institutions	18,607,530	–	18,607,530	–	9,845,044	52.91
Claims on corporates	676,498,522	444,830,830	608,063,714	59,444,364	638,487,690	95.65
Retail claims	371,747,646	37,536,815	317,424,801	16,430,580	243,478,692	72.93
Claims secured by residential property	82,514,493	–	82,514,493	–	48,119,031	58.32
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	85,080,030	–	85,080,030	–	98,187,153	115.41
Higher-risk categories	–	–	–	–	–	–
Cash items and other assets	110,641,023	–	110,641,023	–	48,269,103	43.63
Total	2,614,191,706	658,044,286	2,491,434,053	83,718,827	1,330,800,123	51.68

Credit risk exposures and credit risk mitigation (CRM) effects (Contd.)

As at December 31, 2023	BANK					
	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On-balance sheet amount (a) Rs. '000	Off-balance sheet amount (b) Rs. '000	On-balance sheet amount (c) Rs. '000	Off-Balance Sheet Amount (d) Rs. '000	RWA (e) Rs. '000	RWA density {e/(c+d)} (%)
Claims on Central Government and Central Bank of Sri Lanka	905,530,587	56,743,750	905,530,587	1,134,875	17,708,600	1.95
Claims on foreign sovereigns and their central banks	125,200,900	–	125,200,900	–	93,238,118	74.47
Claims on public sector entities (PSEs)	5,333,014	–	5,333,014	–	5,333,014	100.00
Claims on Official Entities and Multilateral Development Banks (MDBs)	33,654	–	33,654	–	–	–
Claims on banks exposures	186,267,458	118,932,891	186,267,458	6,709,008	82,106,668	42.55
Claims on financial institutions	18,607,530	–	18,607,530	–	9,845,044	52.91
Claims on corporates	653,690,809	443,843,440	588,180,309	58,477,264	617,637,185	95.51
Retail claims	371,508,821	37,536,815	317,185,976	16,430,580	243,436,643	72.97
Claims secured by residential property	82,514,493	–	82,514,493	–	48,119,031	58.32
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	78,801,548	–	78,801,548	–	89,196,058	113.19
Higher-risk categories	1,604,105	–	1,604,105	–	4,010,263	250.00
Cash items and other assets	106,391,645	–	106,391,645	–	45,268,023	42.55
Total	2,535,484,564	657,056,896	2,415,651,219	82,751,727	1,255,898,647	50.27

Disclosure 9**Credit risk under standardised approach****Exposures by asset classes and risk weights (Post CCF and CRM)**

As at December 31, 2023	GROUP									
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total credit exposures amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Claims on Central Government and Central Bank of Sri Lanka	818,832,299	88,543,002	–	–	–	–	–	–	–	907,375,301
Claims on Foreign Sovereigns and their central banks	31,962,782	–	–	–	–	–	138,469,248	–	–	170,432,030
Claims on Public Sector Entities (PSEs)	–	–	–	–	–	–	5,333,014	–	–	5,333,014
Claims on Official Entities and Multilateral Development Banks (MDBs)	33,654	–	–	–	–	–	–	–	–	33,654
Claims on banks exposures	–	122,271,184	–	26,219,878	–	–	45,167,111	114,173	–	193,772,346
Claims on financial institutions	–	–	–	17,524,972	–	–	1,082,558	–	–	18,607,530
Claims on corporates	–	22,807,804	–	21,548,290	–	–	623,151,984	–	–	667,508,078
Retail claims	20,985,178	14,075,340	–	–	68,725,437	122,564,258	107,505,168	–	–	333,855,381
Claims secured by residential property	–	–	52,916,096	–	–	–	29,598,397	–	–	82,514,493
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	45,626	–	–	58,774,532	26,259,872	–	85,080,030
Higher-risk categories	–	–	–	–	–	–	–	–	–	–
Cash items and other assets	52,197,807	12,717,641	–	–	–	–	45,725,575	–	–	110,641,023
Total	924,011,720	260,414,971	52,916,096	65,338,766	68,725,437	122,564,258	1,054,807,587	26,374,045	–	2,575,152,880

Exposures by asset classes and risk weights (post CCF and CRM) (Contd.)

As at December 31, 2023	BANK									Total credit exposures amount Rs. '000
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Claims on Central Government and Central Bank of Sri Lanka	818,122,460	88,543,002	-	-	-	-	-	-	-	906,665,462
Claims on foreign sovereigns and their central banks	31,962,782	-	-	-	-	-	93,238,118	-	-	125,200,900
Claims on Public Sector Entities (PSEs)	-	-	-	-	-	-	5,333,014	-	-	5,333,014
Claims on Official Entities and Multilateral Development Banks (MDBs)	33,654	-	-	-	-	-	-	-	-	33,654
Claims on banks exposures	-	122,271,184	-	26,219,878	-	-	44,371,231	114,173	-	192,976,466
Claims on financial institutions	-	-	-	17,524,972	-	-	1,082,558	-	-	18,607,530
Claims on corporates	-	22,807,804	-	21,548,290	-	-	602,301,479	-	-	646,657,573
Retail claims	20,956,599	13,865,094	-	-	68,725,437	122,564,258	107,505,168	-	-	333,616,556
Claims secured by residential property	-	-	52,916,096	-	-	-	29,598,397	-	-	82,514,493
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)	-	-	-	45,626	-	-	57,921,277	20,834,645	-	78,801,548
Higher-risk categories	-	-	-	-	-	-	-	-	1,604,105	1,604,105
Cash items and other assets	50,949,509	12,717,641	-	-	-	-	42,724,495	-	-	106,391,645
Total	922,025,004	260,204,725	52,916,096	65,338,766	68,725,437	122,564,258	984,075,737	20,948,818	1,604,105	2,498,402,946

Disclosure 10**Market risk under standardised measurement method**

As at December 31,	GROUP		BANK	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
(a) Capital charge for interest rate risk	3,466,433	3,111,900	3,466,433	3,111,900
General interest rate risk	291,455	423,149	291,455	423,149
(i) Net long or short position	291,455	423,149	291,455	423,149
(ii) Horizontal disallowance	-	-	-	-
(iii) Vertical disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific interest rate risk	3,174,978	2,688,751	3,174,978	2,688,751
(b) Capital charge for equity	698,085	562,758	698,085	562,758
(i) General equity risk	357,724	283,473	357,724	283,473
(ii) Specific equity risk	340,361	279,285	340,361	279,285
(c) Capital charge for foreign exchange and gold	741,372	1,196,713	738,959	1,193,982
(d) Capital charge for market risk [(a) + (b) + (c)]	4,905,890	4,871,371	4,903,477	4,868,640
Total risk - weighted amount for Market Risk [(d) * 100 / minimum total CAR]	35,042,071	34,795,507	35,024,836	34,776,000

Disclosure 11**Operational risk under the Alternative Standardised Approach (ASA) – Group**

As at December 31,			2023			2022		
	Capital charge factor	Fixed factor	Gross income			Gross income		
			1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000
Corporate finance	18%		285,894	385,666	910,506	160,423	285,894	385,666
Trading and sales	18%		18,704,206	(8,868,815)	(9,297,481)	7,747,013	18,704,206	(8,868,815)
Payment and settlement	18%		1,575,958	1,140,451	1,521,134	730,737	1,575,958	1,140,451
Agency services	15%		–	–	–	–	–	–
Asset management	12%		–	–	–	–	–	–
Retail brokerage	12%		–	–	–	–	–	–
Sub total (a)			20,566,058	(7,342,698)	(6,865,841)	8,638,173	20,566,058	(7,342,698)
Retail banking (loans and advances)	12%	0.035	550,644,113	604,715,367	593,447,143	513,177,931	550,644,113	604,715,367
Commercial banking (loans and advances)	15%	0.035	1,220,373,745	1,531,114,412	1,677,950,039	927,864,854	1,220,373,745	1,531,114,412
Sub total (b)			1,771,017,858	2,135,829,779	2,271,397,182	1,441,042,785	1,771,017,858	2,135,829,779
Total (a) + (b)			1,791,583,916	2,128,487,081	2,264,531,341	1,449,680,958	1,791,583,916	2,128,487,081
Capital charge for operational risk			12,421,557	10,578,156	11,301,716	8,581,508	12,421,557	10,578,156
Average capital charge (c)					11,433,810			10,527,074
RWA for operational risk [(c)*100/minimum total CAR]					81,670,069			75,193,383

Operational risk under the Alternative Standardised Approach (ASA) – Bank

As at December 31,			2023			2022		
	Capital charge factor	Fixed factor	Gross income			Gross income		
			1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000
Corporate finance	18%		285,894	385,666	910,506	160,423	285,894	385,666
Trading and sales	18%		18,457,281	(9,362,315)	(9,616,643)	7,414,973	18,457,279	(9,362,313)
Payment and settlement	18%		1,575,958	1,140,451	1,521,134	730,737	1,575,958	1,140,451
Agency services	15%		–	–	–	–	–	–
Asset management	12%		–	–	–	–	–	–
Retail brokerage	12%		–	–	–	–	–	–
Sub total (a)			20,319,133	(7,836,198)	(7,185,003)	8,306,133	20,319,131	(7,836,196)
Retail banking (loans and advances)	12%	0.035	542,594,578	596,509,725	583,448,471	506,645,437	542,594,578	596,509,725
Commercial banking (loans and advances)	15%	0.035	1,199,495,133	1,480,967,025	1,633,485,970	913,988,024	1,199,495,133	1,480,967,025
Sub total (b)			1,742,089,711	2,077,476,750	2,216,934,441	1,420,633,461	1,742,089,711	2,077,476,750
Total (a) + (b)			1,762,408,844	2,069,640,552	2,209,749,438	1,428,939,594	1,762,408,842	2,069,640,554
Capital charge for operational risk			12,233,690	10,280,418	11,026,285	8,421,452	12,233,689	10,280,418
Average capital charge (c)					11,180,131			10,311,853
RWA for operational risk [(c)*100/minimum total CAR]					79,858,079			73,656,093

Disclosure 12**Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – Bank**

As at December 31, 2023	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
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets	2,580,327,879	2,580,327,879	2,535,484,564	29,449,653	41,376,156
Cash and cash equivalents	157,819,287	157,819,287	157,819,287	–	–
Balances with Central Banks	52,817,502	52,817,502	52,817,502	–	–
Placements with banks	81,344,696	81,344,696	81,344,696	–	–
Securities purchased under re-sale agreements	31,148,729	31,148,729	31,148,729	–	–
Derivative financial assets	7,226,484	7,226,484	7,226,484	–	–
Financial assets recognised through profit or loss – Measured at fair value	29,449,653	29,449,653	–	29,449,653	–
Financial assets at amortised cost – Loans and advances to other customers	1,176,359,971	1,176,359,971	1,202,342,465	–	–
Financial assets at amortised cost – Debt and other financial instruments	649,740,408	649,740,408	649,740,408	–	–
Financial assets measured at fair value through other comprehensive income	287,023,009	287,023,009	287,023,009	–	–
Investments in subsidiaries	5,808,429	5,808,429	2,245,303	–	3,563,126
Investment in associate	44,331	44,331	44,331	–	–
Property, plant and equipment and right-of-use assets	26,257,902	26,257,902	26,257,902	–	–
Intangible assets	3,736,504	3,736,504	–	–	3,736,504
Deferred tax assets	34,076,526	34,076,526	–	–	34,076,526
Other assets	37,474,448	37,474,448	37,474,448	–	–
Liabilities	2,365,396,877	2,365,396,877	–	–	–
Due to banks	47,274,361	47,274,361	–	–	–
Derivative financial liabilities	2,319,209	2,319,209	–	–	–
Securities sold under repurchase agreements	111,198,516	111,198,516	–	–	–
Financial liabilities at amortised cost – Due to depositors	2,085,046,149	2,085,046,149	–	–	–
Financial liabilities at amortised cost – Other borrowings	12,756,021	12,756,021	–	–	–
Current tax liabilities	14,951,984	14,951,984	–	–	–
Deferred tax liabilities	–	–	–	–	–
Other liabilities	55,050,477	55,050,477	–	–	–
Due to subsidiaries	317,221	317,221	–	–	–
Subordinated liabilities	36,482,939	36,482,939	–	–	–
Off-balance sheet liabilities	668,875,778	668,875,778	657,056,896	–	–
Guarantees	58,102,936	58,102,936	52,789,698	–	–
Performance bonds	38,529,672	38,529,672	38,529,672	–	–
Letter of credit	66,399,708	66,399,708	66,399,708	–	–
Other contingent items	344,136,888	344,136,888	342,132,485	–	–
Undrawn loan commitments	157,205,333	157,205,333	157,205,333	–	–
Other commitments	4,501,241	4,501,241	–	–	–

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – Bank (Contd.)

As at December 31, 2023	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
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Shareholders' equity	214,931,002	214,931,002	–	–	–
Equity capital (stated capital)/assigned capital:					
Of which amount eligible for CET1	62,948,003	62,948,003	–	–	–
Of which amount eligible for AT1	–	–	–	–	–
Retained earnings	8,558,385	8,558,385	–	–	–
Accumulated other comprehensive income	1,963,995	1,963,995	–	–	–
Other reserves	141,460,619	141,460,619	–	–	–

Disclosure 13

Bank Risk Management Approach

Effective risk management is at the core of the Bank's value creation model as we accept risk in the normal course of business. Significant resources are devoted to this critical function to ensure that it is well articulated, communicated and understood by all employees of the Bank as it is a shared responsibility. It is a dynamic and disciplined function increasing in sophistication and subject to stringent oversight by regulators and other stakeholders. The overarching objectives are to ensure that risks accepted are in line with the Bank's risk appetite and strategic priorities and that there is an appropriate trade-off between risk and reward enabling delivery of value to key stakeholders." The risk governance structure, responsibilities attributed throughout the bank, risk management framework, objectives, strategies, policy framework, risk appetite and tolerance limits for key risk types, and the overall risk management approach of the Bank are discussed in the section on "Risk Governance and Management" on pages 232 to 258.

Disclosure 14

Risk management related to key risk exposures

The quantitative disclosures relating to key risk areas such as credit, market, liquidity, operational, and interest rate risk in the banking book are presented and discussed in the Section on "Risk Governance and Management" on pages 232 to 258 and in Note 66 of the Financial Statements on Financial Risk Review on pages 390 to 420.

D-SIB Assessment Exercise (As per the CBSL Direction No. 10 of 2019)

	GROUP	
	2023 Rs. '000	2022 Rs. '000
Size indicator		
Section 1 – Total exposures		
Total exposures measure	3,184,059,880	2,856,960,615
Interconnectedness indicators		
Section 2 – intra-financial system assets		
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended) (i + ii)	205,576,695	211,206,903
(i) Funds deposited	187,063,339	199,077,447
(ii) Lending	18,513,356	12,129,456
b. Holdings of securities issued by other financial institutions	1,832,374	2,228,837
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	1,401,357	753,377
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	6,562,195	7,917,582
Intra-financial system assets (a + b + c + d)	215,372,621	222,106,699
Section 3 – Intra-financial system liabilities		
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	88,227,496	114,365,898
(i) Funds deposited	36,812,391	32,419,099
(ii) Borrowings	51,415,105	81,946,799
b. Net negative current exposure of securities financing transactions with other financial institutions	(11,863)	(103,890)
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	2,218,087	1,100,998
Intra-financial system liabilities (a + b + c)	90,433,720	115,363,006
Section 4 – Securities outstanding		
Securities outstanding	35,878,920	32,272,760
Substitutability/Financial institution infrastructure indicators		
Section 5 – Payments made in the reporting year (excluding intragroup payments)		
Payments activity	14,815,154,461	12,697,577,820

	GROUP	
	2023 Rs. '000	2022 Rs. '000
Section 6 – Assets under custody		
Assets under custody	7,437,330	3,726,558
Section 7 – Underwritten transactions in debt and equity markets		
Underwriting activity	–	–
Section 8 – Trading volume		
a. Number of shares or securities	2,637	7,089
b. Value of transactions	277,043	349,929
Complexity indicators		
Section 9 – Notional Amount of Over-the-Counter (OTC) Derivatives		
OTC derivatives	224,617,055	128,727,586
Section 10 – Level 2 assets		
Level 2 assets	66,014,124	48,817,700
Section 11 – Trading and available for sale (AFS) securities		
a. debt instruments	314,431,101	143,309,257
b. equity instruments	2,751,524	216,057
c. derivatives	7,226,484	8,345,091
Trading and available for sale (AFS) securities (a+b+c)	324,409,109	151,870,405
Section 12 – Cross-jurisdictional liabilities		
Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	191,078,219	207,509,927
Section 13 – Cross-jurisdictional claims		
Cross-jurisdictional claims (excluding derivatives and intragroup claims)	172,645,435	226,229,242

Annex 3: GRI content index

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	Inner Back Cover	Corporate Information			
		12	Organisational Overview – About the Bank			
	2-2 Entities included in the organisation’s sustainability reporting	6	Introducing our 55th Annual Report – “Report boundary”			
	2-3 Reporting period, frequency and contact point	5	Introducing our 55th Annual Report – “Continuing the journey”			
		8	Introducing our 55th Annual Report – “Contact”			
	2-4 Restatements of information	7	Introducing our 55th Annual Report – “Report boundary”			
	2-5 External assurance	4	Annual Report of the Board of Directors – “Integrated Reporting and Strategic Thinking”, Board’s Responsibility, “External Assurances”			
		8	Introducing our 55th Annual Report – “Responsibility for sustainability practices and external assurance”			
		472 - 475	Annex 6 – Independent Assurance Reports			
	2-6 Activities, value chain and other business relationships	12	Organisational Overview – About the Bank			
		54	Business Model for Sustainable Value Creation			
		110	Sustainable Supply Chain			
	2-7 Employees	103	Table 18: Employees by Type and Gender – Bank			
	2-8 Workers who are not employees	103	Table 18: Employees by Type and Gender – Bank			
	2-9 Governance structure and composition (a) Governance structure (b) List of Board Committees (c) Composition of the Board	160 to 167, 180 and 181, 183	Governance and Risk Management			
		188 and 189	Appointments and retirements/ resignations of Directors (Principle A.7)			
		189	Re-election/election of Directors (Principle A.8 and A.9.3)			
	2-10 Nomination and selection of the highest governance body	201 and 202	Report of the Board Nominations and Governance Committee			
	2-11 Chair of the highest governance body	188	Segregation of roles of Chairman and Chief Executive Officer (Principles A.2 and A.3)			
	2-12 Role of the highest governance body in overseeing the management of impacts	177 and 178	Annual Corporate Governance Report			
		186 and 187	Roles, responsibilities, and powers of the Board (Principles A.1.2 and A.1.3) & Board’s role in risk management (Principle D.2)			
		188	Segregation of roles of Chairman and Chief Executive Officer (Principles A.2 and A.3)			
		190 and 191	Shareholder engagement and voting (Principles C.1, C.2, E, and F)			
	2-13 Delegation of responsibility for managing impacts	476 and 477	Annex 7: The Bank’s organisation structure			
		178	Bank’s approach to governance			
		181	Figure 40: Governance Structure			
		184 to 186	Executive Management Committee and Management Committees			

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
	2-14 Role of the highest governance body in sustainability reporting	8	Introducing our 55th Annual Report – “Responsibility for sustainability practices and external assurance”			
		44	Material Matters – “Management Approach”			
		54	Bank’s Sustainability Framework			
		55	ESG and wider sustainability credentials			
		186	Executive Sustainability Committee (ESC)			
		186	Roles, responsibilities, and powers of the Board (Principles A.1.2 to A.1.7) & Board’s role in risk management (Principle D.2 and D.4)			
	2-15 Conflicts of interest	182	Conflicts of interest (Principle A.5.5 and A.10.1)			
		205 and 206	Report of the Board Related Party Transactions Review Committee			
		230 and 231	Directors’ Interest in Contracts with the Bank			
		384 to 388	Note 62 – Related party disclosures			
	2-16 Communication of critical concerns	180	Board process (Principles A.1.3, A.1.4, A.1.6, A.1.7, A.3.1 and A.6)			
		182 and 183	Board meetings (Principle A.1.1)			
		193	Whistleblowing (Principle D.6.4)			
	2-17 Collective knowledge of the highest governance body	189	Induction and training of Directors (Principle A.1.8)			
	2-18 Evaluation of the performance of the highest governance body	190	Board and Board Committee evaluations (Principle A.9)			
	2-19 Remuneration policies	189	Directors’ and Executive remuneration (Principles A.10, B.1 and B.3)			
		203 and 204	Report of the Board Human Resources and Remuneration Committee			
	2-20 Process to determine remuneration	189 and 190	Remuneration Committee (Principle B.2)			
		203 and 204	Report of the Board Human Resources and Remuneration Committee			
	2-21 Annual total compensation ratio	–		2-21	Confidentiality constraints	Industry does not disclose this information due to confidentiality reasons.
	2-22 Statement on sustainable development strategy	34	Managing Director/Chief Executive Officer’s Review – “Pioneering ESG and wider sustainability stewardship”			
	2-23 Policy commitments	3 and 4	Annual Report of the Board of Directors			
		7	Introducing our 55th Annual Report – “Precautionary Principle”			
		97 to 111	Responsible Organisation – Shared Value			
		112 to 119	Community Engagement – Outreach			
		239 and 240	Policies, procedures, and limits			
		240	Risk management tools			
	2-24 Embedding policy commitments	97 to 111	Responsible Organisation – Shared Value			
		112 to 119	Community Engagement – Outreach			
		239 and 240	Policies, procedures, and limits			
		240	Risk management tools			

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
	2-25 Processes to remediate negative impacts	44	Material Matters – “Management Approach”			
		192 and 193	Code of Ethics, Whistleblowing, Anti-bribery and Anti-corruption and Group Conduct Risk Management Policy Framework			
		234	Risk Governance and Management – Streamlining customer complaint handling			
	2-26 Mechanisms for seeking advice and raising concerns	193	Whistleblowing (Principle D.6.4)			
		422	Annex 1.1: 3 (1) (i) (d) Compliance with Banking Act Direction – Communication with all stakeholders			
	2-27 Compliance with laws and regulations	3 and 4	Annual Report of the Board of Directors			
	2-28 Membership associations	119	Bank’s Sustainability Framework, Memberships			
	2-29 Approach to stakeholder engagement	38 to 41	Connecting with Stakeholders			
	2-30 Collective bargaining agreements	104	Collective Bargaining	2-30	Confidentiality constraints	Industry does not disclose this information due to confidentiality reasons.
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	42 to 47	Material Matters			
	3-2 List of material topics	44 to 47	Material Topics, Risks, Opportunities, How we manage and GRI Disclosures			
	3-3 Management of material topics	44 to 47	Material Topics, Risks, Opportunities, How we manage and GRI Disclosures			
Economic performance						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	469	Annex 4: Our Sustainability Footprint			
	201-2 Financial implications and other risks and opportunities due to climate change	99	Climate Position Statement of Commercial Bank of Ceylon PLC			
	201-3 Defined benefit plan obligations and other retirement plans	361 and 362	Note 48.3 to the Financial Statements – Provision for unfunded pension scheme			
		363 to 367	Note 48.5 to the Financial Statements – Employee retirement benefit			
	201-4 Financial assistance received from Government	The Bank did not receive financial assistance from the Government during the year under review.				
Indirect economic impacts						
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	112 to 119	Community Engagement – Outreach			
	203-2 Significant indirect economic impacts	79	Customer Centricity: Uplifting the Small and Medium Enterprises (SMEs)			
Anti-corruption						
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	73	Anti-bribery and Anti-corruption			
		256	Bribery and corruption – related risks			
	205-2 Communication and training about anti-corruption policies and procedures	193	Anti-bribery and Anti-corruption			
		73	Anti-bribery and Anti-corruption			
	205-3 Confirmed incidents of corruption and actions taken	The Bank did not come across incidents of corruption during the year 2023				

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
Anti-competitive behaviour						
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	379	There were no legal proceedings relating to anti-competitive behaviour, anti-trust, and monopoly practices during the year 2023. Note 59 to the Financial Statements – Litigations against the Bank			
Tax						
GRI 207: Tax 2019	207-1 Approach to tax	301	9. Material Accounting Policies – Tax Expense	207-1	Confidentiality constraints	Industry does not disclose this information due to confidentiality reasons.
	207-2 Tax governance, control, and risk management	301	9. Material Accounting Policies – Tax Expense	207-2		
	207-3 Stakeholder engagement and management of concerns related to tax	40 and 41	Table 03 – Mode and Frequency of Stakeholder Engagement	207-3		
	207-4 Country-by-country reporting	301	9. Material Accounting Policies – Tax Expense	207-4		
Energy						
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	469	Annex 4: Our Sustainability Footprint			
	302-2 Energy consumption outside of the organisation	-		302-2	Not applicable	Due to the nature of the operations of the Bank
	302-3 Energy intensity	-		302-3	Not applicable	Due to the nature of the operations of the Bank
	302-4 Reduction of energy consumption	469	Annex 4: Our Sustainability Footprint			
	302-5 Reductions in energy requirements of products and services	-		302-5	Not applicable	Due to the nature of the operations of the Bank
Emissions						
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	469	Annex 4: Our Sustainability Footprint			
	305-2 Energy indirect (Scope 2) GHG emissions	469	Annex 4: Our Sustainability Footprint			
	305-3 Other indirect (Scope 3) GHG emissions	-		305-3	Not applicable	Due to the nature of the operations of the Bank
	305-4 GHG emissions intensity	-		305-4	Not applicable	Due to the nature of the operations of the Bank
	305-5 Reduction of GHG emissions	-		305-5	Not applicable	Due to the nature of the operations of the Bank
	305-6 Emissions of ozone-depleting substances (ODS)	-		305-6	Not applicable	Due to the nature of the operations of the Bank
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-		305-7	Not applicable	Due to the nature of the operations of the Bank
Employment						
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	469	Annex 4: Our Sustainability Footprint			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	297 to 299	Note 7.8 Employee benefits			
	401-3 Parental leave	470	Annex 4: Our Sustainability Footprint			

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
Occupational health and safety						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	100 and 101	Employee morale, health and safety			
	403-2 Hazard identification, risk assessment, and incident investigation	95 and 96 104 and 105	A transformed working environment HR challenges, initiatives and plans			
	403-3 Occupational health services	–		403-3	Not applicable	
	403-4 Worker participation, consultation, and communication on occupational health and safety	–		403-4	Not applicable	
	403-5 Worker training on occupational health and safety	–		403-5	Not applicable	
	403-6 Promotion of worker health	96 104 and 105 100 and 101	– The transformation of the banking model – HR challenges, initiatives and plans – Employee morale health and safety			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	–		403-7	Not applicable	
	403-8 Workers covered by an occupational health and safety management system	–		403-8	Not applicable	
	403-9 Work-related injuries	There has been no injuries during the year				
	403-10 Work-related ill health	–		403-10	Not applicable	
Training and education						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	470	Annex 4: Our Sustainability Footprint			
	404-2 Programs for upgrading employee skills and transition assistance programs	104 and 105 103 and 104	HR challenges, initiatives and plans Staff Training			
	404-3 Percentage of employees receiving regular performance and career development reviews	470	Annex 4: Our Sustainability Footprint			
Diversity and equal opportunity						
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	102 and 103	Colours of Diversity:			
		183	Figure 41: Composition of Board and attendance (as at December 31, 2023)			
		470	Annex 4: Our Sustainability Footprint			
	405-2 Ratio of basic salary and remuneration of women to men	470	Annex 4: Our Sustainability Footprint			
Customer privacy						
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	The Bank did not come across any complaint that had resulted in a reputational damage or significant financial loss during the year under review.				
Non-GRI disclosures						
Non-GRI disclosures	Instability and lack of policy consistency	48 to 53	Operating Context and Outlook			
	Economic slowdown	48 to 53	Operating Context and Outlook			
	Directed lending	79	Uplifting the Small and Medium Enterprises (SMEs)			
	Higher regulatory capital	124	Financial Review – Capital			
	Envisaged upturn in private sector credit and improvement in asset quality	48 to 53	Operating Context and Outlook			
	Changing customer expectations	78 to 90	Customer centricity			

Annex 4: Our sustainability footprint

GRI disclosures – 5 year summary

Disclosure		Unit of Measure	2023		2022		2021		2020		2019	
201–1	Direct economic value:											
	– Generated	Rs. Mn.	335,770		275,444		160,886		149,711		148,706	
	– Distributed to		280,943		183,028		118,366		116,450		124,544	
	– Depositors		209,515		136,583		65,832		72,759		80,571	
	– Employees		21,972		19,113		16,321		14,564		14,083	
	– Business partners		23,905		12,782		12,762		9,636		10,426	
	– Government		16,575		8,844		14,361		11,808		12,691	
	– Shareholders		8,542		5,579		8,957		7,586		6,679	
	– Community		434		127		133		97		94	
	– Retained		54,827		92,416		42,520		33,261		24,162	
302–1	Energy consumption within the organisation	Gigajoules	46,972		38,416		42,906		45,045		50,296	
302–4	Reduction of energy consumption	Gigajoules	(8,556)		4,490		2,139		5,251		(338)	
305–1	Direct (Scope 1) GHG emissions	CO ₂ Tonnes.	850		1,880		1,203		1,079		1,282	
305–2	Energy indirect (Scope 2) GHG emissions	CO ₂ Tonnes.	5,581		6,496		7,144		8,413		10,957	
401–1	New employee hires		Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.	%
	Female		314	6.04	107	2.09	82	1.62	41	0.81	57	1.13
	– 18–30 years		296	5.69	104	2.03	78	1.54	41	0.81	52	1.03
	– 31–50 years		15	0.29	3	0.06	4	0.08	–	–	5	0.10
	– Above 50 years		3	0.06	–	–	–	–	–	–	–	–
	Male		275	5.29	262	5.11	144	2.84	117	2.31	207	4.12
	– 18–30 years		247	4.75	228	4.45	125	2.46	106	2.09	197	3.92
	– 31–50 years		27	0.52	28	0.55	16	0.32	11	0.22	9	0.18
	– Above 50 years		1	0.02	6	0.12	3	0.06	0	–	1	0.02
	Total		589	11.32	369	7.20	226	4.46	158	3.12	264	5.25
	Attrition											
	Female		120	2.31	92	1.80	54	1.07	52	1.03	73	1.45
	– 18–30 years		50	0.96	39	0.76	21	0.41	12	0.24	31	0.61
	– 31–50 years		55	1.06	34	0.66	9	0.18	9	0.18	18	0.36
	– Above 50 years		15	0.29	19	0.37	24	0.48	31	0.61	24	0.48
	Male		394	7.58	220	4.29	115	2.27	111	2.19	154	3.05
	– 18–30 years		142	2.73	90	1.76	52	1.03	51	1.01	91	1.80
	– 31–50 years		222	4.27	98	1.91	37	0.73	32	0.63	43	0.85
	– Above 50 years		30	0.58	32	0.62	26	0.51	28	0.55	20	0.40
	Total		514	9.88	312	6.09	169	3.34	163	3.22	227	4.50

Disclosure	Unit of Measure	2023	2022	2021	2020	2019
401-3	Parental leave					
	– Entitled to leave	Nos. 1,322	1,133	1,196	1,185	1,196
	– Availed for leave	Nos. 36	49	50	69	84
	– Due to return	Nos. 39	54	59	73	64
	– Return to work	Nos. 38	54	59	73	64
	– Still employed	Nos. 45	56	70	61	45
	– Return ratio	% 97.44	100.00	100.00	100.00	100.00
	– Retained ratio	% 83.33	94.92	95.89	95.31	93.75
404-1	Average training hours	Hours				
	Female	9	26	2	2	19
	– Corporate Management	4	18	3	1	32
	– Executive officers	8	15	5	2	23
	– Executive assistants and allied grades	5	28	3	1	10
	– Banking and graduate trainees	20	50	10	8	64
	Male	9	29	3	7	27
	– Corporate Management	6	17	7	6	34
	– Executive officers	8	19	5	6	28
	– Executive assistants and allied grades	6	36	3	5	16
	– Banking and graduate trainees	15	50	8	28	83
404-3	Percentage of employees receiving performance and career development reviews	%				
	– Female	100.00	100.00	100.00	100.00	100.00
	– Male	100.00	100.00	100.00	100.00	100.00
405-1	Diversity and equal opportunity	%				
	Gender					
	– Female	27.11	23.76	23.68	23.43	23.63
	– Male	72.89	76.24	76.32	76.57	76.37
	Age group					
	– 18-30 years	35.90	32.65	33.12	34.86	37.34
	– 31-50 years	53.91	57.82	58.44	57.37	55.15
	– Above 50 years	10.19	9.53	8.44	7.77	7.51
405-2	Remuneration ratio women to men	Male:Female				
	– Corporate Management	1:0.77	1:0.75	1:0.70	1:0.75	1:0.97
	– Executive officers	1:1.05	1:1.04	1:1.06	1:1.05	1:1.09
	– Executive assistants and allied grades	1:1.04	1:1.08	1:1.08	1:1.10	1:1.10
	– Banking and graduate trainees	1:0.99	1:0.99	1:0.98	1:1.00	1:1.01
	– Office assistants and other	1:0.93	1:1.19	1:0.84	1:0.79	1:0.79
418-1	Substantiated complaints	The Bank did not come across any complaint that had resulted in a reputational damage or significant financial loss.				

Annex 5: Disclosures relating to Sustainability Accounting Standard for Commercial Banks

Standard used: Industry Standard | Version 2023-12

Topic	Accounting Metric	Code	Disclosure	Page No.
Data Security	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	Internet of things and cyber security (Principle G)	193
			Data security and privacy	193
			Data Governance	234
Financial Inclusion and Capacity Building	(1) Number and (2) amount of loans outstanding that qualify to programmes designed to promote small business and community development	FN-CB-240a.1	Graph – 15: Composition of loans granted by Commercial Bank to the SME sector	80
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	Figure – 20: Financial Inclusion and skill development programmes	81
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	FN-CB-410a.2	Responsible Financing – A cohesive effort	74
			Socially and environmentally sustainable lending and practices	75
			Group Social and Environmental Policy	234
			Social and Environmental Risk	253 and 254
Financed Emissions	Gross exposure for each industry by asset class	FN-CB-410b.2	Note 33.1 (c) to the Financial Statements- Analysis of financial assets at amortised cost – loans and advances to other customers by industry	328
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	Review of operational risk	
			Graph – 56: Composition of losses-2023	251
			Graph – 57: Losses by number of events	252
			Graph – 58: Losses by value	252
	Description of whistleblower policies and procedures	FN-CB-510a.2	Code of Business Conduct and Ethics (principle D.6)	192
			Whistleblowing (Principle D.6.4)	193

Annex 6: Independent Assurance Reports

Annex 6.1: Independent Practitioner's Assurance Report to the Board of Directors of Commercial Bank of Ceylon PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report FY 2023



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Scope

We have been engaged by Commercial Bank of Ceylon PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Commercial Bank of Ceylon PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Commercial Bank of Ceylon PLC's (the "Entity's") Integrated Annual Report/Annual Report/Sustainability Report for the year ended 31st December 2023 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Commercial Bank of Ceylon PLC

In preparing the Subject Matter, Commercial Bank of Ceylon PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Commercial Bank of Ceylon PLC's responsibilities

Commercial Bank of Ceylon PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Commercial Bank of Ceylon PLC on March 01, 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we 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.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. 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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons)-MIS MSc-IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organisation through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

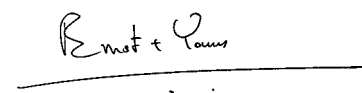
Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Commercial Bank of Ceylon PLC for the year ended December 31, 2023, in order for it to be in accordance with the Criteria.



March 02, 2024
Colombo

Annex 6.2: Independent Practitioner's Assurance Report to the Board of Directors of Commercial Bank of Ceylon PLC on the Integrated Annual Report 2023



Ernst & Young
Chartered Accountants
Rotunda Towers
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P.O. Box 101
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Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email : eysl@lk.ey.com
ey.com

Scope

We have been engaged by Commercial Bank of Ceylon PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Commercial Bank of Ceylon PLC's Information on how its strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in Commercial Bank of Ceylon PLC's (the "Entity's") Integrated Annual Report for the year ended 31st December 2023 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Commercial Bank of Ceylon PLC

In preparing the Subject Matter, Commercial Bank of Ceylon PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organisational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Commercial Bank of Ceylon PLC's responsibilities

Commercial Bank of Ceylon PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Commercial Bank of Ceylon PLC on March 01, 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we 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.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. 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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

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A member firm of Ernst & Young Global Limited

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organisation creates value, the external environment, strategy, approaches to putting members first, governance and reporting.

- Obtained an understanding of the description of the organisation's strategy and how the organisation creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

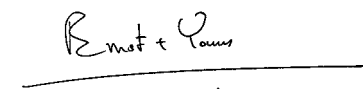
Emphasis of matter

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

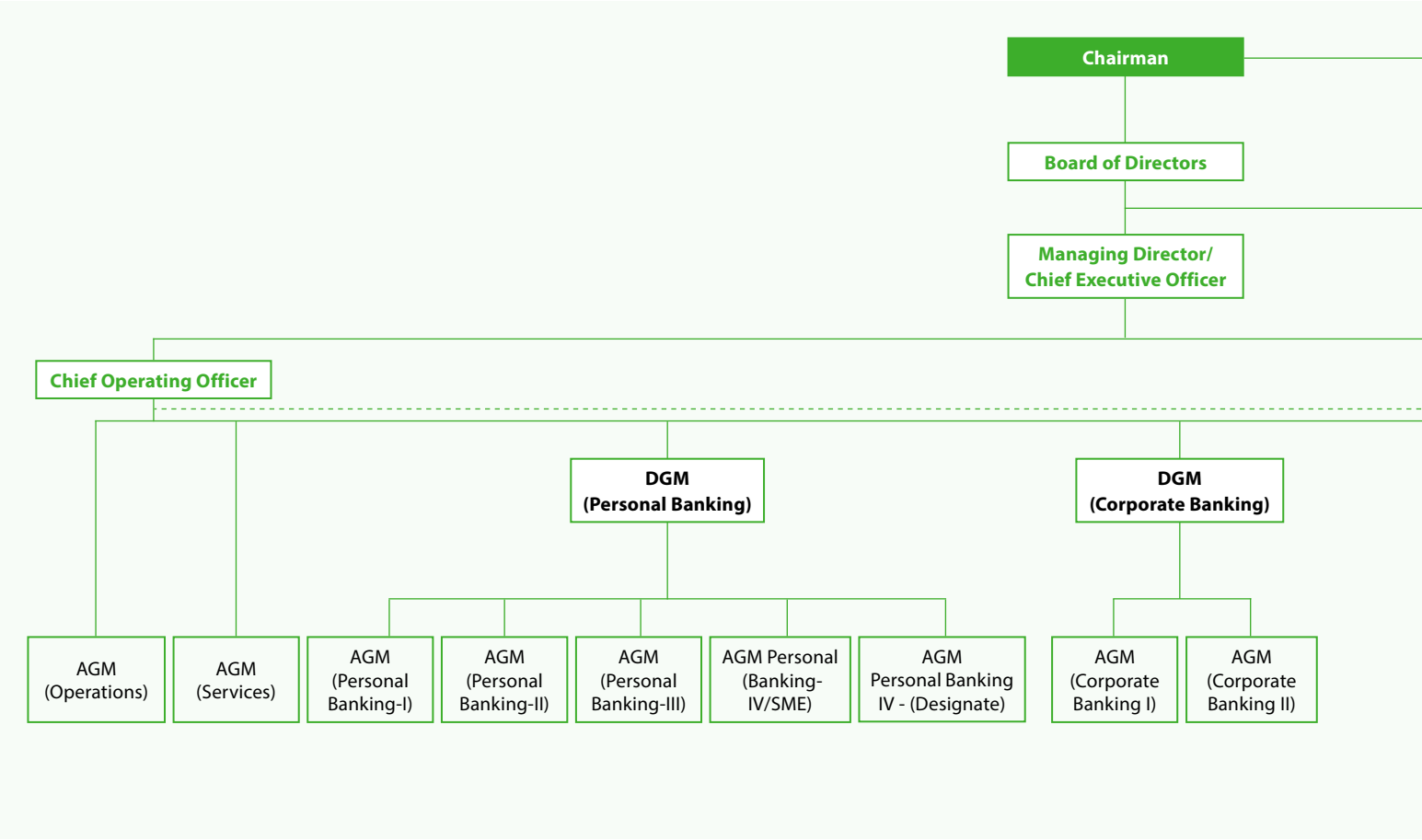
Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Commercial Bank of Ceylon PLC for the year ended December 31, 2023, in order for it to be in accordance with the Criteria.



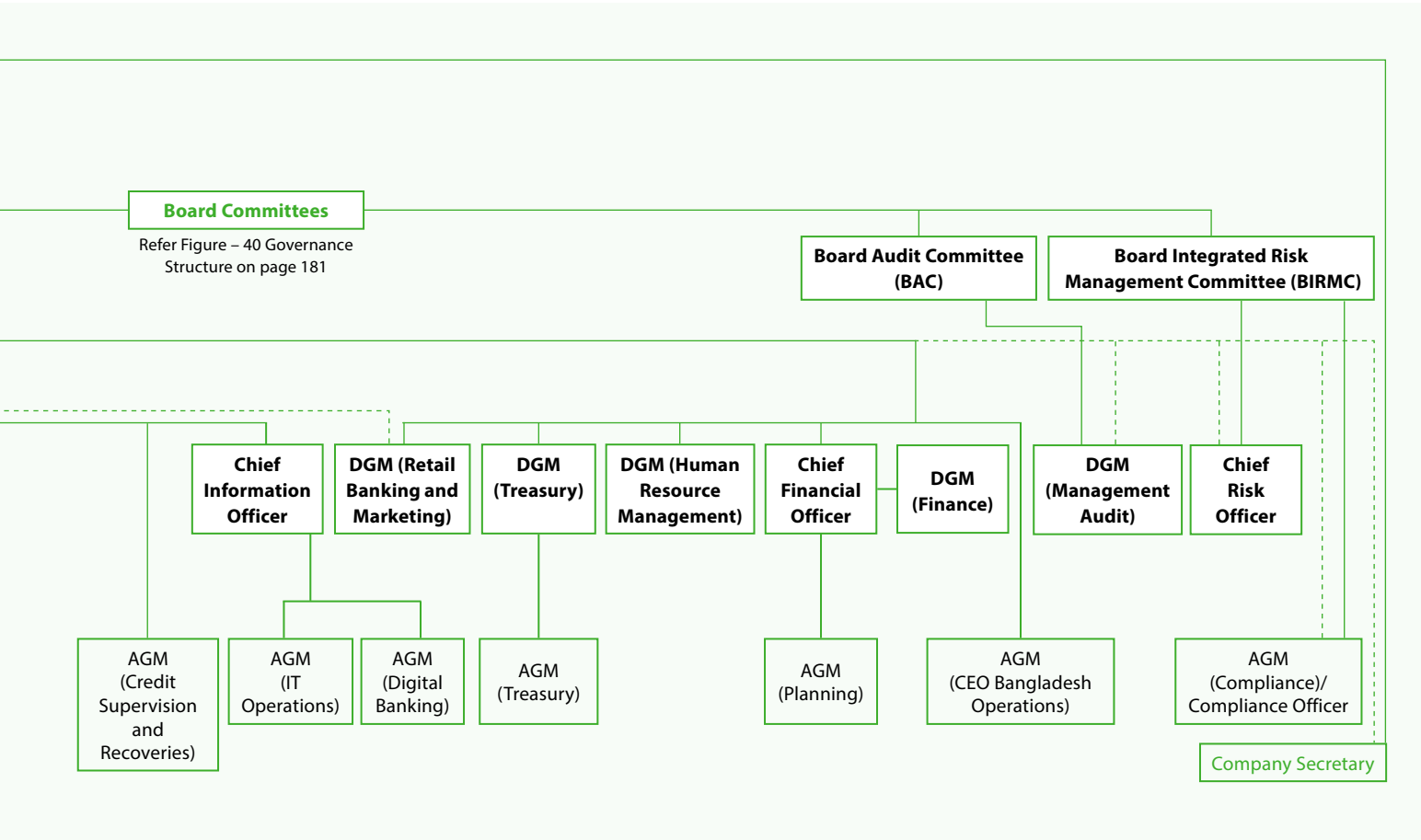
March 02, 2024
Colombo

Annex 7: The Bank’s organisation structure



— Direct reporting
- - - Indirect reporting

DGM – Deputy General Manager, AGM – Assistant General Manager
All Chief Executive Officers of subsidiaries report to the Managing Director/Chief Executive Officer



Annex 8: Financial statements (US Dollars)

Income Statement

For the year ended December 31,	GROUP			BANK		
	2023 USD '000	2022 USD '000	Change %	2023 USD '000	2022 USD '000	Change %
Gross income	1,053,404	864,725	21.82	1,035,529	849,480	21.90
Interest income	917,952	685,869	33.84	902,447	673,328	34.03
Less: Interest expense	651,443	424,758	53.37	646,152	421,226	53.40
Net interest income	266,509	261,111	2.07	256,295	252,102	1.66
Fee and commission income	94,536	80,776	17.03	91,609	78,532	16.65
Less: Fee and commission expense	25,492	18,573	37.25	25,122	18,420	36.38
Net fee and commission income	69,044	62,203	11.00	66,487	60,112	10.61
Net gains/(losses) from trading	(38,494)	108,859	(135.36)	(38,494)	108,859	(135.36)
Net gains/(losses) from derecognition of financial assets	15,606	854	1,727.40	15,606	854	1,727.40
Net other operating income	63,804	(11,633)	648.47	64,361	(12,093)	632.22
Total operating income	376,469	421,394	(10.66)	364,255	409,834	(11.12)
Less: Impairment charges and other losses	119,954	221,817	(45.92)	119,117	220,391	(45.95)
Net operating income	256,515	199,577	28.53	245,138	189,443	29.40
Less: Expenses						
Personnel expenses	70,393	61,028	15.35	67,762	58,944	14.96
Depreciation and amortisation	13,371	11,098	20.48	13,211	10,990	20.21
Other operating expenses	52,827	39,771	32.83	50,544	37,811	33.68
Total operating expenses	136,591	111,897	22.07	131,517	107,745	22.06
Operating profit before taxes on financial services	119,924	87,680	36.77	113,621	81,698	39.07
Less: Taxes on financial services	15,301	12,094	26.52	15,301	12,004	27.47
Operating profit after taxes on financial services	104,623	75,586	38.42	98,320	69,694	41.07
Share of profit/(loss) of associate, net of tax	11	(11)	200.00	–	–	–
Profit before tax	104,634	75,575	38.45	98,320	69,694	41.07
Less: Income tax expense/(reversal)	37,093	326	11,278.22	35,217	(1,145)	3,175.72
Profit for the year	67,541	75,249	(10.24)	63,103	70,839	(10.92)
Profit attributable to:						
Equity holders of the Bank	65,120	73,437	(11.33)	63,103	70,839	(10.92)
Non-controlling interest	2,421	1,812	33.61	–	–	–
Profit for the year	67,541	75,249	(10.24)	63,103	70,839	(10.92)
Earnings per share						
Basic earnings per ordinary share (USD)	0.05	0.06	(16.67)	0.05	0.05	–
Diluted earnings per ordinary share (USD)	0.05	0.06	(16.67)	0.05	0.05	–

US Dollar Accounts

The Income Statement and the Statement of Financial Position given on pages 478 and 479 are solely for the convenience of stakeholders.

Statement of Financial Position

As at December 31,	GROUP			BANK		
	2023 USD '000	2022 USD '000	Change %	2023 USD '000	2022 USD '000	Change %
Assets						
Cash and cash equivalents	492,526	466,028	5.69	486,721	460,736	5.64
Balances with Central Banks	193,164	242,397	(20.31)	162,891	205,069	(20.57)
Placements with banks	251,370	296,324	(15.17)	250,870	295,758	(15.18)
Securities purchased under resale agreements	96,064	4,679	1,953.09	96,064	4,679	1,953.09
Derivative financial assets	22,287	25,737	(13.40)	22,287	25,737	(13.40)
Financial assets recognised through profit or loss – measured at fair value	90,824	76,710	18.40	90,824	76,710	18.40
Financial assets at amortised cost – loans and advances to other customers	3,715,854	3,563,585	4.27	3,627,941	3,486,330	4.06
Financial assets at amortised cost – debt and other financial instruments	2,113,047	2,348,960	(10.04)	2,003,825	2,238,814	(10.50)
Financial assets measured at fair value through other comprehensive income	887,380	365,928	142.50	885,190	361,006	145.20
Investments in subsidiaries	–	–	–	17,913	17,913	–
Investment in associate	182	171	6.43	137	137	–
Property, plant and equipment and right-of-use assets	89,429	84,646	5.65	80,980	78,413	3.27
Investment properties	1,844	248	643.55	–	–	–
Intangible assets	13,229	12,685	4.29	11,524	10,989	4.87
Deferred tax assets	106,435	94,764	12.32	105,093	93,450	12.46
Other assets	116,380	125,863	(7.53)	115,573	125,518	(7.92)
Total assets	8,190,015	7,708,725	6.24	7,957,833	7,481,259	6.37
Liabilities						
Due to banks	147,875	200,374	(26.20)	145,796	200,864	(27.42)
Derivative financial liabilities	7,153	8,884	(19.48)	7,153	8,884	(19.48)
Securities sold under repurchase agreements	342,905	301,392	13.77	342,941	301,392	13.79
Financial liabilities at amortised cost – due to depositors	6,624,231	6,099,441	8.60	6,430,366	5,903,961	8.92
Financial liabilities at amortised cost – other borrowings	39,340	49,808	(21.02)	39,340	49,808	(21.02)
Current tax liabilities	47,051	76,842	(38.77)	46,113	75,483	(38.91)
Deferred tax liabilities	1,586	1,348	17.66	–	–	–
Other liabilities	173,529	124,457	39.43	169,776	122,933	38.11
Due to subsidiaries	–	–	–	978	356	174.72
Subordinated liabilities	112,515	189,363	(40.58)	112,515	189,363	(40.58)
Total liabilities	7,496,185	7,051,909	6.30	7,294,978	6,853,044	6.45
Equity						
Stated capital	194,134	179,336	8.25	194,134	179,336	8.25
Statutory reserves	41,901	37,254	12.47	38,168	35,013	9.01
Retained earnings	30,665	20,942	46.43	26,394	17,246	53.04
Other reserves	413,240	406,617	1.63	404,159	396,620	1.90
Total equity attributable to equity holders of the Bank	679,940	644,149	5.56	662,855	628,215	5.51
Non-controlling interest	13,890	12,667	9.66	–	–	–
Total equity	693,830	656,816	5.64	662,855	628,215	5.51
Total liabilities and equity	8,190,015	7,708,725	6.24	7,957,833	7,481,259	6.37
Contingent liabilities and commitments	2,084,122	1,713,282	21.65	2,062,840	1,694,439	21.74
Net assets value per ordinary share (USD)	0.52	0.52	–	0.50	0.51	(1.96)

An exchange rate of 1 USD equals 324.25 LKR for both the years, has been used to facilitate comparison

Annex 9: Correspondent banks and agent network

01. Canada

Bank of Montreal (CAD)
Toronto
BIC: BOFMCAM2
A/C: 31441044203 and 31441044190*

02. United States of America

Bank of America NT and SA (USD)
San Francisco
BIC: BOFAUS65
A/C: 6290890098

Citi Bank (USD)
New York
BIC: CITIUS33
A/C: 36141446 and 36241316*

Deutsche Bank Trust Company Americas (USD)
New York
BIC: BKTRUS33
A/C: 4034566

JP Morgan Chase Bank (USD)
New York
BIC: CHASUS33
A/C: 400808625

Standard Chartered Bank (USD)
New York
BIC: SCBLUS33
A/C: 3582052360001, 3582052360002 and 3582052637001*

Wells Fargo Bank N.A. (USD)
New York
BIC: PNBPU33NNYC
A/C: 2000191002407 and 2000193003365*

03. France

Crédit Agricole SA (EUR)
Paris
BIC: AGRIFRPP
A/C: 20533624000*

04. United Kingdom

Bank of Ceylon (UK) Limited (GBP)
London
BIC: BCEYGB2L
A/C: 88001377

Standard Chartered Bank (GBP)
London
BIC: SCBLGB2L
A/C: 1804813401, 01270435801* and 01271474401*

05. Norway

Den Norske Bank (NOK)
Oslo
BIC: DNBANOKK
A/C: 7002.02.04808

06. Sweden

Skandinaviska Enskilda Banken (SEK)
Stockholm
BIC: ESSESESS
A/C: 52018529803

07. Denmark

Nordea Bank Denmark A/S (DKK)
Copenhagen
BIC: NDEADKKK
A/C: 5000408909

08. Germany

Commerz Bank AG (EUR)
Frankfurt
BIC: COBADEFF
A/C: 400872103701 and 400871436200*

Landesbank Baden – Wuerttemberg (EUR)
Stuttgart
BIC: SOLADEST
A/C: 2808451

Standard Chartered Bank (EUR)
Frankfurt
BIC: SCBLDEF
A/C: 18109406, 18149205 and 018112204*

Unicredit Bank AG (Hypo Vereins Bank)(EUR)
Munich
BIC: HYVEDEMM
A/C: 69101429

09. Luxembourg

Clearstream Banking S/A
Luxembourg
BIC: CEDELULL
A/C: 52511-USD and 52511-EUR

10. Switzerland

UBS AG (CHF)
Zurich
BIC: UBSWCHZH
A/C: 02300000085408050000W

11. Italy

Banca Intesa BCI (EUR)
Milan
BIC: BCITITMM
A/C: 100100003820

Banco Popolare Society Coperation (EUR)
Verona
BIC: BAPPIT22
A/C: 400000082

Unicredito Italiano SPA (EUR)
Rome
BIC: UNCRITMM
A/C: 0995 4268

12. United Arab Emirates

Mashreq Bank (AED)
Dubai
BIC: BOMLAEAD
A/C: AE270330000010195511268

13. India

ICICI Bank Ltd. (INR)
Mumbai
BIC: ICICINBB
A/C: 039305075029

Indian Bank (INR)
Chennai
BIC: IDIBINBBTSY
A/C: 07395219691

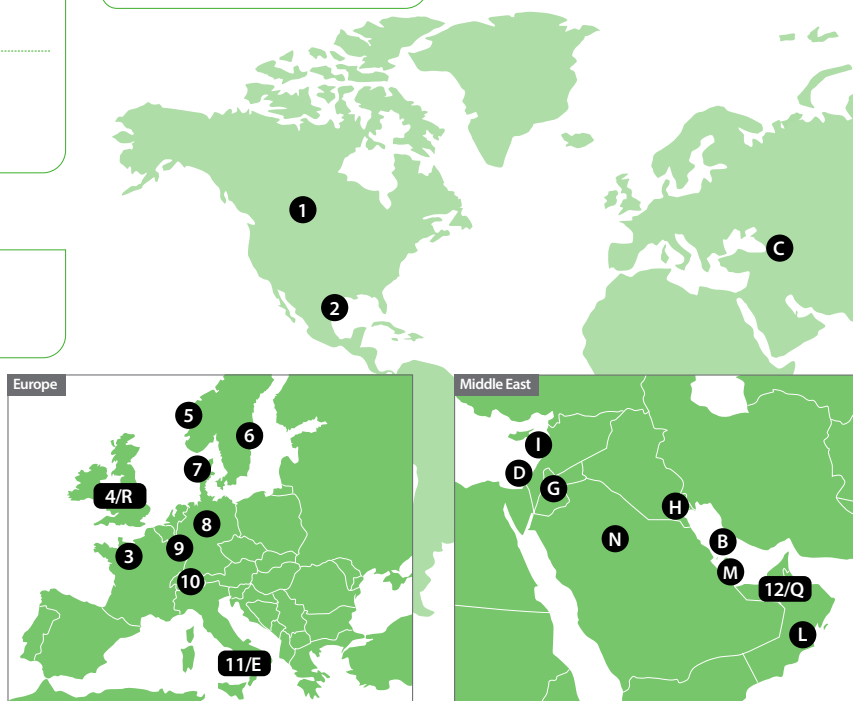
Standard Chartered Bank (INR)
Mumbai
BIC: SCBLINBB
A/C: 22205671264

15. Singapore

Citibank NA
BIC: CITISGSG
A/C: (USD) 851122001,
(EUR) 851122028 and (GBP) 851122036

Oversea – Chinese Banking Corp Ltd.
BIC: OCBSCGSG
A/C: (USD) 503212862301,
(SGD) 695703165001

Standard Chartered Bank (SGD)
BIC: SCBLSGSG
A/C: 109344561 and 102318735*



14. Sri Lanka

Bank of China Colombo Ltd (CNY)
Colombo
BIC: BKCHLKXXXX
A/C: 100002800004204

16. China

Standard Chartered Bank (CNY)
Shanghai
BIC: SCBLCNSX
A/C: 501510533540

Kookmin Bank (USD)
Seoul
BIC: CZNBKRS
A/C: 7598USD010 and 7618USD013*

KEB Hana Bank
Seoul
BIC: KOEXKRSE
A/C: 0963THR051080010

Woori Bank (USD)
Seoul
BIC: HVBKRS
A/C: W1027001US

ANZ Banking Group Ltd (AUD)
Melbourne
BIC : ANZBAU3M
A/C: 944306AUD00001

Al Alami Exch. Co.
Al Nasir Establishment For Exch.
Alawneh Exch. Co
Kalil Al Rahman Exch. Co
Zarqa Exch.

Alrajhi Banking & Investment Corp.
Arab National Bank
Bank Albilad
The National Commercial Bank
The Saudi British Bank

ANZ Bank New Zealand Ltd (NZD)
New Zealand
BIC : ANZBNZ22
A/C : 944306NZD00001

Al Muzaini Exch. Co.
Al Sultan Exch. Co. WLL
Almulla Int'l Exch.
Aman Exch. Co. WLL
Bahrain Exch. Co.WLL
City Int Exch. Co.WLL
Joy Alukkas Exch. Co WLL
Kuwait Asian Int'l Exch.
Kuwait Bahrain Intl Exch.
Lulu Exch. Co. WLL
National Exch. Co.
National Money Exch. Co.
Oman Exch. Co. WLL
UAE Exch. Centre Kuwait

Ample Transfers PTE Ltd
Lulu Money (Singapore) Pte Ltd

Ceylon Exch. Pvt Ltd
Colombo Money Trans. Serv. (Pvt) Ltd
Kapruka Pvt Ltd
Lanka Currency Converter Pty Ltd

Finshot Inc
Global Money Express
Gmoney Trans Co Ltd
KEB Hana Bank
Kookmin Bank

Nat. Finance & Exch. Co. WLL
Nonoo Exch. Co. SP
Zenj Exch. Co. WLL

Crystal Exch. Co. SAL

JSC MFI Intel Express

MoneyMatch Sdn Bhd
Tranglo SDN BHD

Commercial Bank of Maldives

Al Jadeed Exch. LLC
Bank Muscat
Global Money Exch. Co.LLC
Joyalukkas Exch. LLC
Laxmidas Tharia Ved Exch. Co
Lulu Exch. Co LLC
Modern Exch. Co.LLC
Purshottam Kanji Exch. Co.LLC
Unimoni Exch.
Wasel Exch. SAOC

- Al Ahalia Money Exch. Bureau
- Al Ansari Exch. Est.
- Al Dahab Exch.
- Al Fardan Exch.
- Al Faud Exch.
- Al Ghurair Exch. LLP
- Al Ghurair Int'l Exch.
- Al Razouki Int'l Exch. Co.
- Al Rostamani Int'l Exch.
- City Exch.
- Delma Exch.
- Deniba Int'l Exch.
- Emirates India Int'l Exch. Co
- Federal Exch.
- GCC Exch.
- Index Exch.
- Joyalukkas Exch.
- Lari Exch.
- Leela Megh Exch. LLC
- Lulu Int'l Exch. LI
- Multinet Trust Exch. LLC
- Orient Exch. Co. LLC
- SAAD Exch.
- UAE Exch. Centre LLC
- Universal Exch. Centre
- Worldwide Cash Express Ltd.

Mufg Bank (JPY)
Tokyo
BIC: BOTKJPJT
A/C: 653-0461318*

Standard Chartered
Tokyo
BIC: SCBLJPJT
A/C: 2168531110

Sumitomo Mitsui Bank (JPY)
Tokyo
BIC: SMBCJPJT
A/C: 4395

AMT Financial Services Ltd
STB Union Ltd
Unigiros Ltd

National Exch. Co. SRL

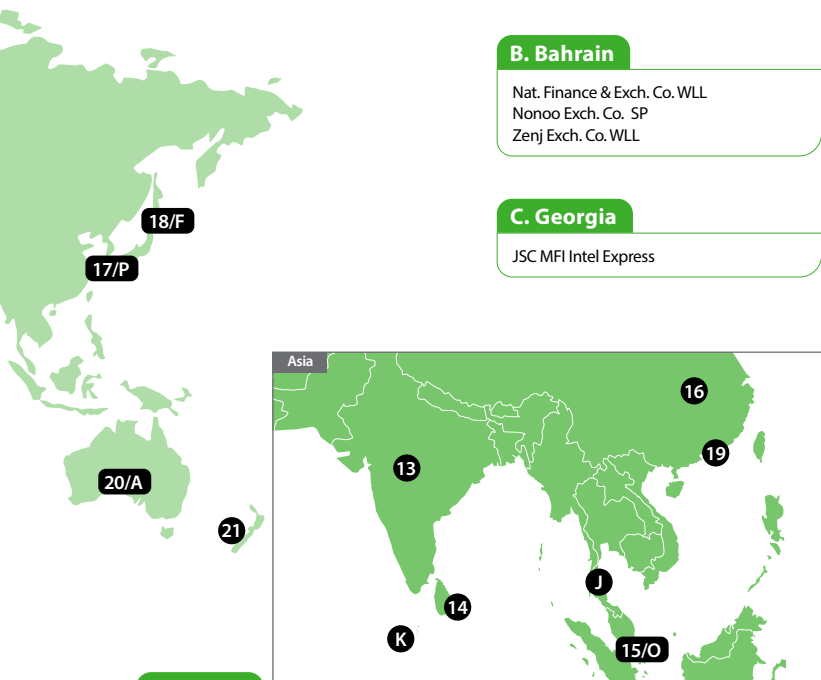
Japan Money Express Co.

Al Dar For Exch. Works
Al Mana Exch. WLL
Al Mirqab Exch. Co. WLL
Al Sadd Exch. Co. WLL
Al Zaman Exch.
Alfardan Exch. Co.
Arabian Exch. Co.
City Exch. Co.WLL
Doha Bank
Doha Exch.
Eastern Exch. Establishment
Gulf Exch. Co.
Islamic Exch..Co.WLL
Lulu Exch. Co.
Travelxh Qatar Co.
Trust Exch. Co.

Ezremit Ltd.
GCC Exch. UK Ltd
Global Exch. Ltd
LCC Trans-Sending Ltd.
Visa Payment Ltd

Mastercard Transaction Serv.
Moneygram Int'l
Muthoot Finserve USA Inc
Payoneer Inc.
Placid Express
Prabhu Group Inc.
Ria Financial Services
Western Union

Standard Chartered Bank
BIC: SCBLHKHH
A/C: (HKD) 41109468048,
(HKD) 44709419107* and
(CNY) 44709448344



Annex 10: Glossary of financial and banking terms

A

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Associate

An entity over which the investor has significant influence.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

B

Basel III

The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Basis 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.

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.

Business Continuity Plan

A document that consists of the critical information an organisation needs to continue operating during an unplanned event. The BCP should state the essential functions of the business, identify which systems and processes must be sustained, and detail how to maintain them. It should take into account any possible business disruption.

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. It is determined at a level that reflects how groups of financial assets are managed rather than at an instrument level. SLFRS 9 identifies three types of business models: "hold to collect", "hold to collect and sell" and "other". In order to determine the business model, it is necessary to understand the objectives of each business model. An entity would need to consider all relevant information including, for example, how business performance is reported to the entity's key management personnel and how managers of the business are compensated.

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 Settlements (BIS) and as modified by the CBSL to suit local requirements.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Commitments

Credit facilities approved but not yet utilised by the clients as at the reporting date.

Cost/Income Ratio

Operating expenses excluding impairment charge for loans and other losses as a percentage of total operating income.

Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

Cost of credit risk on loans and advances

This ratio is expressed as the impairment charges on loans and advances over gross loans and advances.

Capital Conservation Buffer

Designed to ensure that banks build up buffers of capital outside any periods of stress and to avoid breaches of minimum capital requirements.

Cash Generating Unit (CGU)

The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Contingencies

A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Currency SWAPs

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash Generating Unit (CGU) The smallest group of assets that independently

generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Collectively Assessed Loan Impairment Provisions

Also known as portfolio 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.

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.

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.

Control

Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

D

Deferred Taxation

Sum set aside in the Financial Statements for taxation 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".

De-minimis

Features that could impact the cash flows of a financial asset by a de minimise amount both on a period by period basis and cumulatively.

Density ratio

Risk-weighted assets expressed as a percentage of total exposure.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Domestic Systemically Important Banks (D-SIBs)

Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated LCBs with total assets equal to or greater than Rs. 500 Bn. as D-SIBs.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. 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.

E

Earnings per Ordinary Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

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 expressed as a percentage of 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.

Exposure at Default (EAD)

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

ESOP (Employee Share Ownership Plan)

A method of giving employees shares in the business for which they work.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

Expected Credit Losses (ECLs)

ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

F

Fair Value

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.

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

Any assets that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Liabilities

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Finance Lease

A lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)

All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Intermediation Margin

Used to measure the robustness of financial intermediation process, it is gross income expressed as a percentage of average total assets.

G**Group**

A parent and all its subsidiaries.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Gearing in terms of on balance sheet assets

This ratio is calculated as total assets over the total equity attributable to equity holders of the Bank as at the reporting date.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Gearing in terms of risk weighted assets

This ratio is calculated as total capital over the total risk weighted assets as per the Capital Adequacy Computation under Basel III.

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.

H**Hedging**

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

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.

Historical Cost

Historical cost is the original nominal value of an economic item.

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.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Spread

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

Impaired Loans (Stage 3) Ratio (%)

This ratio shall be calculated by dividing impaired loans (Stage 3) net of Stage 3 impairment, by total loans. (Including undrawn amounts.)

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset

An intangible asset is an identifiable nonmonetary asset without physical substance.

Impairment Charge/(Reversal)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

Impairment (Stage 3) to Stage 3 Loans Ratio (%)

This ratio shall be calculated by dividing impairment charge (Stage 3), by Stage 3 loans. With respect to computation of above ratios, impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Interest Rate SWAP

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Investment Properties

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 capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

K**Knowledge Capital**

Knowledge capital is the intangible value of an organisation made up of its knowledge, relationships, learned techniques, procedures, and innovations. In other words, knowledge capital is the full body of knowledge an organisation possesses.

Key Performance Indicators (KPIs)

A set of quantifiable measurements used to gauge a company's overall long-term performance. KPIs specifically help determine a company's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.

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**Leverage Ratio**

A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans) or assesses the ability of a company to meet its financial obligations.

Loss given default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Lessee's incremental borrowing rate (IBR)

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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.

Lifetime Expected Credit Losses (LTECL)

Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on "Financial instruments", the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

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 an entity obtained by multiplying the number of ordinary shares in issue 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.

Market Risk Premium

The market risk premium is the difference between the expected return on a market portfolio and the risk-free rate. The market risk premium is equal to the slope of the security market line (SML), a graphical representation of the capital asset pricing model (CAPM).

N**Non-Controlling Interest (NCI)**

Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

Nostro Account

A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Net Assets Value per Share (NAV)

Shareholders' funds excluding preference shares, if any, 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 the amount it pays on liabilities such as deposits, refinance funds and interbank borrowings.

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.

O**Open Credit Exposure Ratio**

Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Off-balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to the commitment and contingencies in future.

P**Price to Book Value**

Market price of a share divided by the net assets value of a share.

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.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by the earnings per share.

Probability of Default (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method).

Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R**Related Parties**

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Right-of-Use Asset (RUA)

An asset that represents a lessee's right to use an underlying asset for the lease term.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

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

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk-weighting factors.

Risk Appetite

It can be described as an organisation's risk capacity, or the maximum amount of residual risk it will accept after controls and other measures have been put in place.

S**Segment Reporting**

Disclosure of the Bank's assets, income and other information, broken down by activity and geographical area.

Subsidiary

An entity that is controlled by another entity.

Shareholders' Funds

Total of issued and fully paid share capital and revenue reserves.

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. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Substance over Form

The consideration that the accounting treatment and presentation of Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

SPPI Test

Solely payments of Principal and Interest Test (SPPI) is carried out as the second step of the classification process.

"Principal" is defined as the fair value of the financial asset at initial recognition and may change due to repayments of principal or amortisation of the premium or discount.

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. If a financial asset passes the SPPI test, then it will either be classified at amortised cost if the "hold to collect" business model test is met, or at Fair Value Through Other Comprehensive Income (FVOCI) if the hold to collect and sell" business model test is met. If a financial asset fails the SPPI test it must be classified at Fair Value Through Profit or Loss (FVTPL) in its entirety.

T**Tier 1 Capital (Common Equity Tier 1 – CET 1)**

Common Equity Tier 1 (CET1) 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 1)

Additional Tier 1 Capital (AT1) is a component of Tier 1 capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividend 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.

Twelve Month Expected Credit Losses (12 Month ECL)

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.

U**Unit Trust**

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

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.

Unsystematic Risk

Unsystematic risk is unique to a specific company or industry. Also known as "non-systematic risk", "specific risk", "diversifiable risk" or "residual risk", in the context of an investment portfolio, unsystematic risk can be reduced through diversification.

Y**Yield to Maturity (YTM)**

Discount rate at which the present value of future cash flows would equal the security's current price.

Yield Curve

A yield curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. There are three main types of yield curve shapes: normal (upward sloping curve), inverted (downward sloping curve) and flat.

Annex 11: Acronyms and abbreviations

AC	Amortised Cost
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
AMA	Advanced Measurement Approaches
AML	Anti-Money Laundering
ASPI	All Share Price Index
BAC	Board Audit Committee
BCBS	Basel Committee on Banking Supervision
BCC	Board Credit Committee
BCERC	Board Capital Expenditure Review Committee
BCMISC	Business Continuity Management Steering Committee
BCP	Business Continuity Plan
BHRRC	Board Human Resources & Remuneration Committee
BIA	Basic Indicator Approach
BIC	Board Investment Committee
BIRMC	Board Integrated Risk Management Committee
BIS	Bank for International Settlements
BNGC	Board Nominations and Governance Committee
BRPTRC	Board Related Party Transactions Review Committee
BSDC	Board Strategy Development Committee
BTC	Board Technology Committee
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CDS	Central Depository System
CET 1	Common Equity Tier 1
CFM	Close Family Members
CPC	Credit Policy Committee
CRAB	Credit Rating Agency of Bangladesh
CRM	Credit Risk Mitigation
CSE	Colombo Stock Exchange
CCF	Credit Conversion Factor
DBU	Domestic Banking Unit
DDO	Domestic Debt Optimisation
DPD	Days Past Due
DRP	Disaster Recovery Plan
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
EAR	Earnings at Risk
ECL	Expected Credit Loss
ECMN	Executive Committee on Monitoring NPA
EGM	Extraordinary General Meeting
EHRSC	Executive Human Resources Steering Committee
EIC	Executive Investment Committee
EIR	Effective Interest Rate
EIRMC	Executive Integrated Risk Management Committee
ESC	Executive Sustainability Committee
ESDC	Executive Strategy Development Committee
ESOP	Employee Share Option Plan
EVE	Economic Value of Equity
FIS	Fixed Income Securities
FVOCI	Financial assets measured at Fair Value through Other Comprehensive Income
FVTPL	Financial assets measured at Fair Value through Profit or Loss
FX	Foreign Exchange
GDP	Gross Domestic Product
GRI	Global Reporting Initiatives
HQLA	High Quality Liquid Assets
IBR	Incremental Borrowing Rate
ICAAP	Internal Capital Adequacy Assessment Process
ICASL	Institute of Chartered Accountants of Sri Lanka

IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IRMD	Integrated Risk Management Department
IRR	Interest Rate Risk
IRBB	Interest Rate Risk in Banking Books
ISC	Information Security Council
ISO	International Standard Organisation
ISMS	Information Security Management System
ITSC	IT Steering Committee
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KIRIs	Key IT Risk Indicators
KMP	Key Management Personnel
KORIs	Key Operational Risk Indicators
LCB	Licensed Commercial Bank
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LSB	Licensed Specialised Bank
LTECL	Life Time Expected Credit Loss
LTV	Loan to Value Ratio
MATs	Management Action Triggers
MRMU	Market Risk Management Unit
MSME	Micro Small and Medium Enterprises
NCI	Non-Controlling Interest
NII	Net Interest Income
NIM	Net Interest Margin
NOP	Net Open Position
NPA	Non-Performing Assets
NPCF	Non-Performing Credit Facilities
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
PER	Price Earnings Ratio
POCI	Purchased or Originated Credit Impaired (Financial Assets)
RAS	Risk Appetite Statement
RCPSC	Recovery Plan Steering Committee
RCSA	Risk Control Self Assessment
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transactions
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
ROUA	Right of Use Asset
SA	Standardised Approach
SEC	Securities and Exchange Commission of Sri Lanka
SEMS	Social and Environmental Management System
SICR	Significant Increase in Credit Risk
SLAR	Statutory Liquid Assets Ratio
SLDB	Sri Lanka Development Bond
SLFRS	Sri Lanka Financial Reporting Standards
SME	Small and Medium Enterprise
SOPF	Statement of Financial Position
SPPI	Solely Payment of Principal and Interest
SLSB	Sri Lanka Sovereign Bond
UNGC	United Nations Global Compact
WSME	Women, Small and Medium Enterprises
VaR	Value at Risk
YoY	Year-on-Year
12mECL	12 months Expected Credit Loss

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Notice of Meeting – Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifty-Fifth (55th) Annual General Meeting ('AGM') of the Commercial Bank of Ceylon PLC (the 'Company') will be held on Thursday, March 28, 2024 at 2.30 p.m. at the Galadari Hotel, 'Grand Ballroom', No. 64, Lotus Road, Colombo 01, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Financial Statements for the year ended December 31, 2023 together with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Board of Directors and to consider and if thought fit, to pass the following resolutions:

- (i) **Declaration of a first and final dividend and approval of its method of satisfaction [Dividend Resolution No. 1]: To consider and if thought fit to pass the following resolution by way of an Ordinary Resolution. [To be passed only by the ordinary (voting) shareholders].**

THAT a first and final dividend of Rs. 6.50 per issued and fully paid ordinary (voting) and (non-voting) share constituting a total sum of Rs. 8,541,930,332/- (subject to applicable government taxes) based on the issued ordinary (voting) and (non-voting) shares as at February 20, 2024 [subject however to necessary amendments being made to such amount to include the dividends pertaining to the options that may be exercised by employees under the Commercial Bank of Ceylon PLC (the 'Company') Employee Share Option Plan (ESOP) schemes] be and is hereby declared for the financial year ended December 31, 2023 on the issued and fully paid ordinary (voting) and (non-voting) shares of the Company;

THAT the shareholders entitled to such dividend would be those shareholders [both ordinary (voting) and (non-voting)], whose names have been duly registered in the Shareholders' Register maintained by the Registrars of the Company [i.e. SSP Corporate Services (Pvt) Ltd., No. 101, Inner Flower Road, Colombo 03] and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd. ('CDS') as at end of trading on the Record Date [i.e. the third (3rd) market day from and excluding the date of the meeting] (the 'Entitled Shareholders');

THAT subject to the shareholders (a) waiving their pre-emptive rights to new share issues; and (b) approving the proposed allotment and issue of new ordinary (voting) and (non-voting) shares by passing the resolutions set out in Items 2(ii) and 2(iii) below, the declared first and final dividend of Rs. 6.50 per issued and fully paid ordinary (voting) and (non-voting) share be distributed and satisfied partly, by the payment of cash and partly, by the allotment and issue of new ordinary (voting) and (non-voting) shares (the 'distribution scheme') based on the share prices of ordinary (voting) and (non-voting) shares as at February 20, 2024 to the Entitled Shareholders in the manner following:

- The payment in cash of Rs. 4.50 per issued and fully paid ordinary (voting) and (non-voting) share (subject to applicable government taxes); and
- The allotment and issue of new ordinary (voting) and (non-voting) shares in satisfaction of the balance of Rs. 2.00 per share dividend entitlement (subject to applicable government taxes).

THAT accordingly and subject to the approval of the shareholders being obtained in the manner aforementioned, the implementation of the said distribution scheme shall be as follows:

(a) By way of a cash distribution:

A cash distribution of a sum of Rs. 5,564,463,277.50 (subject however to necessary amendments being made to such amount to include the dividend payable on the options that may be exercised by the employees under the Company's ESOP schemes) shall be made to the Entitled Shareholders of ordinary (voting) shares; and a sum of Rs. 349,180,798.50 shall be made to the Entitled Shareholders of the ordinary (non-voting) shares, on the basis as aforesaid of Rs. 4.50 per ordinary (voting) and (non-voting) share, respectively (subject to applicable government taxes);

AND

(b) By way of the allotment and issue of new shares:

The balance sum of:

- Rs. 2,473,094,790.00 (subject however to necessary amendments being made to such amount to include the dividend payable on the options that may be exercised by employees under the Company's ESOP schemes) to which the ordinary (voting) shareholders are entitled (subject to applicable government taxes); and

- Rs. 155,191,466.00 to which the ordinary (non-voting) shareholders are entitled (subject to applicable government taxes),

shall be satisfied by the allotment and issue of new ordinary (voting) and (non-voting) shares to the Entitled Shareholders of the ordinary (voting) and (non-voting) shares, respectively, on the basis of the following ratios:

- 01 new fully paid ordinary (voting) share for every 53.2941180806 existing issued and fully paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on February 20, 2024; and
- 01 new fully paid ordinary (non-voting) share for every 47.2352946190 existing issued and fully paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on February 20, 2024.

THAT the ordinary (voting) and (non-voting) residual share fractions, respectively, arising in pursuance of the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares after applying the formulas referred to in the sub heading 'Residual fractions of shares' in the 'Circular to the shareholders on the first and final dividend for 2023' dated March 05, 2024 be aggregated and the ordinary (voting) and (non-voting) shares, respectively, arising consequent to such aggregation be allotted to Trustees to be nominated by the Board of Directors of the Company, and that the Trustees so nominated and appointed be permitted to hold the said shares in trust until such shares are sold by the Trustees on the trading floor of the Colombo Stock Exchange, and that the net sale proceeds thereof be donated to a charity or charities approved by the Board of Directors of the Company;

THAT the new shares to be issued in pursuance of the said distribution scheme constituting a total issue of 23,202,324 new ordinary (voting) shares, based on the issued and fully paid ordinary (voting) shares as at February 20, 2024, (subject however to the necessary amendments being made to such number to include the dividend on the options that may be exercised by the employees under the Company's ESOP schemes) and 1,642,749 new ordinary (non-voting) shares based on the issued and fully paid ordinary (non-voting) shares as at February 20, 2024 shall, immediately consequent to due allotment thereof to

the Entitled Shareholders rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary (voting) shares and the existing issued and fully paid ordinary (non-voting) shares of the Company, respectively, including the entitlement to participate in any dividend that may be declared after the date of allotment thereof and shall be listed on the Colombo Stock Exchange; and

THAT the new ordinary (voting) and (non-voting) shares to be so allotted and issued shall not be eligible for the payment of the dividend declared hereby and which dividend shall accordingly be payable only on the 1,236,547,395 existing issued and fully paid ordinary (voting) shares as at February 20, 2024 (subject to amendments thereto to include the shares arising on the options that may be exercised by the employees under the Company's ESOP schemes) and 77,595,733 existing issued and fully paid ordinary (non-voting) shares as at February 20, 2024.

**(ii) Waiver of Pre-emption Rights
(Dividend Resolution No. 2):**

Subject to the passing of the Ordinary Resolution set out in Dividend Resolution No.1 above, to consider and if thought fit to pass the following Resolution [To be passed by a separate vote of the ordinary (voting) shareholders and of the ordinary (non-voting) shareholders, respectively]:

THAT the pre-emptive right to a new issue of shares provided for by Article 9A of the Articles of Association of Commercial Bank of Ceylon PLC (the 'Company'), be and is hereby waived in respect of the following proposed issue of new shares to be effected by the Company for purposes of satisfying the first and final dividend for the year ended December 31, 2023:

'The allotment and issue of 23,202,324 new ordinary (voting) shares (subject however to the necessary amendments being made to such number to include the dividend on the options that may be exercised by the employees under the Company's ESOP schemes), and 1,642,749 new ordinary (non-voting) shares credited as fully paid to Entitled Shareholders and which new shares shall rank equal and *pari passu* with the existing issued and fully paid ordinary (voting) and (non-voting) shares of the Company including the right to participate in any dividend which may be declared after the date of allotment of such shares'.

**(iii) Approval of an issue of ordinary
(voting) and (non-voting) shares
(Dividend Resolution No. 3):**

Subject to the passing of the Ordinary Resolution set out in Dividend Resolution No. 1 above, to consider and if thought fit to pass the following resolution by way of a Special Resolution [To be passed by a separate vote of the ordinary (voting) shareholders and of the ordinary (non-voting) shareholders, respectively]:

THAT the proposed allotment and issue of 23,202,324 new ordinary (voting) shares [subject however to the necessary amendments being made to such number to include the dividend on the options that may be exercised by the employees under the Commercial Bank of Ceylon PLC (the 'Company') ESOP schemes] and 1,642,749 new ordinary (non-voting) shares credited as fully paid to Entitled Shareholders and which new shares shall rank equal and *pari passu* with the existing issued and fully paid ordinary (voting) and (non-voting) shares of the Company including the right to participate in any dividend which may be declared after the date of allotment of such shares be and is hereby approved in pursuance of Section 99 of the Companies Act No. 07 of 2007 (as amended) and Article 10 of the Articles of Association of the Company; and

THAT accordingly the Company's management be and is hereby authorised to take all requisite statutory and procedural formalities in order to give effect to the aforesaid proposed issue of new ordinary (voting) and (non-voting) shares of the Company.

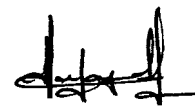
3. To re-elect/elect the following Directors who, in terms of the Company's Articles of Association, retire by rotation or otherwise as given below:
 - (i). To re-elect Mr R Senanayake who retires by rotation in terms of Article 86 of the Articles of Association.
 - (ii). To re-elect Mr S Muhseen who retires by rotation in terms of Article 86 of the Articles of Association.
 - (iii). To elect Mr P M Kumarasinghe who was appointed to the Board in terms of Article 92 of the Articles of Association.

4. (i) To appoint Messrs KPMG, Chartered Accountants, as recommended by the Board of Directors as the Company's Auditors for the financial year ending December 31, 2024; and

(ii) To authorise the Board of Directors to determine the remuneration of the Auditors for the financial year ending December 31, 2024.

5. To authorise the Board of Directors to determine donations for the year 2024.

By Order of the Board of Commercial Bank of Ceylon PLC,



R A P Rajapaksha
Company Secretary

March 05, 2024
Colombo

Notes:

- (i) A duly registered and entitled holder of the Company's ordinary (voting) shares is entitled to attend, speak and vote at the AGM and is entitled to appoint a proxyholder to attend, speak, and vote in his/her stead.
- (ii) A duly registered and entitled holder of the Company's ordinary (non-voting) shares is entitled only to attend and speak at the AGM and to vote only on the resolutions set out in items 2(ii) and 2(iii) of the Notice of Meeting. Such a shareholder is entitled to appoint a proxyholder to attend, and speak on his/her behalf and to vote only on the resolutions set out in items 2(ii) and 2(iii) of the Notice of Meeting.
- (iii) A proxyholder need not be a shareholder of the Company.
- (iv) A Form of Proxy is sent along with this Report.
- (v) The Form of Proxy completed legibly should be forwarded to the Company, by facsimile on 011 233 2317 or email to companysecretary@combank.net or by post to Company Secretary, Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.

Circular to the Shareholders on the First and Final Dividend for 2023

Dear Shareholder/s,

First and Final Dividend for the year ended December 31, 2023 to be Satisfied by the Allotment and Issue of New Shares.

The Board of Directors of the Commercial Bank of Ceylon PLC (the 'Company'), is pleased to inform its Shareholders that, a first and final dividend distribution of Rs. 6.50 per each existing issued and fully paid ordinary (voting) and (non-voting) share has been recommended for the financial year ended December 31, 2023 for due declaration by the Shareholders at the Annual General Meeting ('AGM') to be held on Thursday, March 28, 2024 (the date of the AGM) at 2.30 p.m. at the Galadari Hotel, 'Grand Ballroom', No. 64, Lotus Road, Colombo 01 and such dividend so declared will be paid out of the profits of the Company for the financial year ended December 31, 2023, which would be subject to applicable government taxes.

The Board of Directors is confident that, the Company will be able to satisfy the solvency test set out in Section 57 of the Companies Act No. 07 of 2007 (as amended) ['CA 2007'] immediately post-payment of such dividend. A Certificate of Solvency has been provided by the Company's Auditors, Messrs Ernst & Young, Chartered Accountants.

Subject to obtaining the approval of the Shareholders, the said dividend will be satisfied in accordance with a distribution scheme whereby:

- (i) A cash distribution of Rs. 5,564,463,277.50 (subject to applicable government taxes) shall be made to the Entitled Shareholders of the ordinary (voting) shares and a sum of Rs. 349,180,798.50 shall be made to the Entitled Shareholders of the ordinary (non-voting) shares of the Company as at February 20, 2024 totalling to Rs. 5,913,644,076.00 in part satisfaction of such dividend; and
- (ii) New ordinary (voting) and (non-voting) shares will be allotted and issued, in satisfaction of the remaining

dividend entitlement, constituting a total sum of Rs. 2,628,286,256.00 (subject to applicable government taxes) based on the issued and fully paid ordinary (voting) and (non-voting) shares of the Company as at February 20, 2024 (subject however to necessary amendments being made to such sum to accommodate the dividend payable on the options that may be exercised by employees under the Company's ESOP schemes).

Accordingly, and in pursuance of the aforesaid distribution scheme, the Company proposes to issue:

- (a) 23,202,324 number of new ordinary (voting) shares, calculated based on the issued and fully paid ordinary (voting) shares as at February 20, 2024 [subject however to necessary amendments being made to such number to include the dividend on the options that may be exercised by employees under the Company's ESOP schemes], and on the basis of their market value (closing price) as at end of trading on February 20, 2024; and
- (b) 1,642,749 number of new ordinary (non-voting) shares calculated based on the issued and fully paid ordinary (non-voting) shares as at February 20, 2024 and on the basis of their market value (closing price) as at end of trading on February 20, 2024.

An announcement will be made by the Company three market days prior to the date of the AGM on the final number of ordinary (voting) and (non-voting) shares to be issued in satisfaction of the said dividend.

The said shares shall be issued in the following ratios to the Entitled Shareholders of the Company as defined below:

- (a) 01 new fully-paid ordinary (voting) share for every 53.2941180806 existing issued and fully-paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on February 20, 2024; and

- (b) 01 new fully-paid ordinary (non-voting) share for every 47.2352946190 existing issued and fully-paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on February 20, 2024.

The above share ratio is based on a value of Rs. 90.60 per ordinary (voting) share and Rs. 80.30 per ordinary (non-voting) share (subject to applicable government taxes) as at end of trading on February 20, 2024. The Board of Directors is satisfied that the aforementioned values which constitute the consideration for which the new shares are to be allotted and issued is fair and reasonable to the Company and to all its existing Shareholders.

Entitled Shareholders

Shareholders entitled to participate in the said dividend are those who are duly registered in the Company's Share Register and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd. ('CDS') as at end of trading on the Record Date [i.e. the third (3rd) market day from and excluding the date of the meeting] (the 'Entitled Shareholders').

In calculating the number of shares held by a shareholder as at the relevant date for the proposed allotment and issue of new shares, the shareholding of the shareholder as appearing in the CDS and the Shareholders' Register maintained by the Registrars of the Company [i.e. SSP Corporate Services (Pvt) Ltd, No. 101, Inner Flower Road, Colombo 03] will not be aggregated. However, if a shareholder holds shares with multiple stockbrokers, the shares held with multiple stockbrokers will be aggregated for calculation purposes, and the shares arising as a result of the proposed issue and allotment of new shares will be uploaded proportionately to the respective CDS accounts held with each broker. The Company has obtained the approval in principle of the Colombo Stock Exchange ('CSE') for the proposed allotment and issue of new shares.

Residual Fractions of Shares

The residual fractions arising from the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares, respectively, will be aggregated and the shares arising consequent thereto will, subject to receiving the approval of the Shareholders therefor, be allotted to Trustees to be nominated by the Board of Directors. The Trustees so nominated, will hold the said shares in trust until such shares are sold by the Trustees on the trading floor of the CSE. The net sale proceeds arising therefrom shall, subject to receiving the approval of the Shareholders therefor, be distributed to a charity/charities approved by the Board of Directors. The sale of such shares will be effected by the Company within a reasonable period of time, following the date on which the approval of the Shareholders has been obtained in this regard.

Residual fractions of ordinary (voting) and (non-voting) shares above-mentioned shall mean the above-mentioned fractions arising after applying the following formulas, respectively:

For voting shareholders –

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the Record Date X 1}}{53.2941180806}$$

For non-voting shareholders –

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the Record Date X 1}}{47.2352946190}$$

Status of the New Shares

The new ordinary (voting) and (non-voting) shares to be so issued, immediately consequent to due allotment thereof to the Entitled Shareholders, shall rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary (voting) and (non-voting) shares, respectively, of the Company.

Listing/Central Bank approval

An application has been made to the CSE for listing the new ordinary (voting) and (non-voting) shares on the official list of the CSE. This application has been approved 'in principle' by the CSE. The Company will obtain approval of the Department of Foreign Exchange of the Central Bank

of Sri Lanka in principle for the allotment and issue of the new ordinary (voting) and (non-voting) shares to the Company's non-resident Shareholders, where applicable.

Shareholder Approvals

The proposed method of satisfying the abovementioned first and final dividend is subject to Shareholders granting approval therefor by passing the resolutions set out in the attached Notice of Meeting pertaining to the following matters:

- Authorisation to satisfy the first and final dividend by an allotment and issue of new shares:

Article 124 of the Company's Articles of Association provides, in effect, that, subject to the provisions of CA 2007, the Board is empowered to pay a dividend or otherwise make a distribution in whole or in part by the distribution of specific assets and in particular of paid up shares. In pursuance of principles of transparency, the Board seeks the authorisation of Shareholders for the satisfaction of the first and final dividend by the issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant ordinary resolution to be passed by the Shareholders in this regard is set out in item 2(i) of the attached Notice of Meeting.

- Waiver of pre-emption rights to new share issues [Article 9A]:

In terms of Article 9A of the Company's Articles of Association, any issue of shares beyond 500,000 shares must be first offered to the Shareholders in proportion to their holding at the time of the offer, unless otherwise authorised by an ordinary resolution of the Company.

As mentioned previously, the first and final dividend is proposed to be satisfied, by the allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above and on the above-mentioned application of the above-mentioned share proportion. The said allotment and issue of new shares would accordingly be in excess of 500,000 shares. As such, the authorisation of Shareholders is sought under and in terms of the above-mentioned Article 9A for the waiver by Shareholders of their pre-emption rights to the new shares to be issued exceeding 500,000 ordinary (voting) and (non-voting) shares. The relevant ordinary resolution to be passed by the Shareholders in this regard is set out in item 2(ii) of the attached Notice of Meeting.

- Alteration of Shareholder Rights [Section 99 of the CA 2007 and Article 10 of the Articles of Association]:

The Company is required, in compliance with the above provisions, to seek Shareholder approval by way of a special resolution for the proposed method of satisfaction of the first and final dividend by an allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant special resolution to be passed by the Shareholders in this regard is set out in item 2(iii) of the attached Notice of Meeting.

Confirmation of Compliance

The Board of Directors hereby confirms that the allotment and issue of new shares is in compliance with the Articles of Association of the Company, the Listing Rules of the CSE and the provisions of the CA 2007.

Allotment of the New Shares

The Board of Directors emphasises that the aforementioned allotment and issue of new shares is in satisfaction of the first and final dividend for the year ended December 31, 2023 and shall be dependent on and subject to the Shareholders passing the requisite resolutions.

Uploading of Shares in to CDS Accounts

In the event that the requisite resolution declaring the dividend (including its manner of satisfaction thereof) by way of the issue and allotment of new shares is passed by the Shareholders, the accounts of the Shareholders whose shares are deposited in the CDS would be directly uploaded with the new shares to the extent that such Shareholder has become entitled thereto.

The shares would be uploaded within five (05) market days from and excluding the Record Date. If a Shareholder holds multiple CDS accounts, the total entitlement will be directly deposited to the respective CDS accounts proportionately. Pursuant to a Direction issued by the Securities and Exchange Commission of Sri Lanka ('SEC') pertaining to the de-materialisation of listed securities, the Shareholders who hold shares in scrip form (i.e. Share Certificates) as per the Share Register maintained by the Registrars of the Company, will not be issued Share Certificates for the new shares allotted and issued in their favour. Such Shareholders are accordingly requested to open an account with the CDS and to deposit their

Share Certificates in the CDS prior to the date of the AGM of the Company. This will enable the Company to deposit the new shares directly into the Shareholder's CDS Account.

If a Shareholder fails to deposit his/her existing ordinary (voting) and/or (non-voting) shares in the CDS prior to the date of the AGM, such Shareholder's entitlement of new ordinary (voting) and/or (non-voting) shares will be deposited by the Company after such Shareholder has opened a CDS Account and has informed the Company's Registrars in writing of his/her CDS account number. Until such CDS account is opened by a Shareholder as aforementioned, the new ordinary (voting) and (non-voting) shares that are allotted in his/her favour will be registered in such shareholder's account in the Share Register maintained by the Registrars of the Company (subject to compliance with the requirements of the Department of Foreign Exchange of the Central Bank of Sri Lanka as may be applicable in respect of non-resident shareholders). Consequent to the opening of the CDS account by such Shareholder, the new shares will be credited to such CDS account. Direct uploads pertaining to written requests received from Shareholders to deposit such shares will be done on a weekly basis.

Annual General Meeting ("AGM")

Attached hereto is the Annual Report comprising the Notice convening the AGM for March 28, 2024 and setting out in item 2 thereof, the relevant resolution to be passed by the Shareholders in the above regard.

Form of Proxy

Shareholders who are unable to attend the AGM in person are entitled to appoint a proxy to attend and speak and also vote on their behalf, depending on their voting rights. If you wish to appoint such a proxy, kindly complete and return the enclosed Form of Proxy (in accordance with instructions specified therein) to the Company by facsimile on 011 233 2317 or email to companysecretary@combank.net or by post to Company Secretary, Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.

Yours faithfully,

By Order of the Board of Commercial Bank of Ceylon PLC



R A P Rajapaksha
Company Secretary

March 05, 2024
Colombo

Notice of Meeting – Extraordinary General Meeting

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Commercial Bank of Ceylon PLC ('the Bank') will be held immediately after the conclusion of the Annual General Meeting ('AGM') which has been convened for March 28, 2024 at 2.30 p.m. at the Galadari Hotel, 'Grand Ballroom', No. 64, Lotus Road, Colombo 01, for the following purposes:

1. To consider and if thought fit to pass the following resolution by way of a Special Resolution pertaining to the approval of the proposed issue of Debentures in terms of Rule 2.2.1 m. of the Listing Rules of Colombo Stock Exchange (To be passed by the Ordinary Voting Shareholders):

THAT the Board of Directors (the 'Board') of Commercial Bank of Ceylon PLC (the 'Bank') be and is hereby authorised:

- i. To issue and allot up to Two Hundred Million (200,000,000) fully paid, Basel III Compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures ('Debentures') with a Non-Viability Conversion feature at such interest rates as may be determined by the Board at the time of issue at a par value of Rs. 100/- each for tenures of 5 years, 7 years and 10 years and that Ordinary Voting Shares of the Bank be issued to the holders of such Debentures to the extent of the amounts due and payable on such Debentures (i.e. capital sum paid on the Debentures plus outstanding interest) in the event the Central Bank of Sri Lanka determines that a Trigger Event which warrants the conversion of Debentures to Ordinary Voting Shares as defined in the Circular to Shareholders dated March 05, 2024 pertaining to the proposed issue of Debentures has occurred; and
- ii. To issue upon the occurrence of a Trigger Event, Ordinary Voting Shares to the holders of the Basel III compliant Debentures at the Conversion Price with such price being determined based on the 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) month period immediately preceding such Trigger Event;

- iii. To issue upon the occurrence of a Trigger Event such Ordinary Voting Shares to the holders of the Debentures on the aforesaid basis in lieu of the amounts due and payable on the relevant Debentures (i.e. capital sum paid on the Debentures plus outstanding interest) without such Shares being offered in the first instance to the then existing Ordinary Voting Shareholders of the Bank *pari passu* to their shareholding subject to regulatory approvals from, namely, the Central Bank of Sri Lanka and the Colombo Stock Exchange. Such Ordinary Voting Shares arising from the Non-Viability Conversion will be listed on the Colombo Stock Exchange.

2. Subject to the passing of the Special Resolution set out under Resolution No.1 above, to consider and if thought fit to pass the following resolution by way of an Ordinary Resolution pertaining to the waiver of pre-emptive rights (To be passed by the Ordinary Voting Shareholders):

THAT the pre-emptive right to a new issue of Shares provided for by Article 9A of the Articles of Association of Commercial Bank of Ceylon PLC (the 'Bank'), be and is hereby waived in respect of the relevant number of Ordinary Voting Shares to be issued by the Bank to the holders of the said fully paid, Basel III Compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures ('Debentures') with a Non-Viability Conversion feature, to the extent of the amounts due and payable on such Debentures (i.e. capital sum paid on the Debentures plus outstanding interest) in the event the Central Bank of Sri Lanka determines that a Trigger Event which warrants the conversion of Debentures to Ordinary Voting Shares as defined in the Circular to Shareholders dated March 05, 2024 pertaining to the proposed issue of Debentures has occurred, which Shares shall be issued at the Conversion Price determined based on the 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) month period immediately preceding such Trigger Event.

3. Subject to the passing of the Special Resolution set out under Resolution No.1 above, to consider and if thought fit to pass the following resolution by way of a Special Resolution by both the Ordinary Voting Shareholders as well as the Ordinary Non-Voting Shareholders in order to obtain approval for the issuance of Ordinary Voting Shares in pursuance of Article 10 of the Articles of Association of the Bank and Section 99 of the Companies Act No. 07 of 2007 (as amended):

THAT the prospective allotment and issue of new Ordinary Voting Shares by Commercial Bank of Ceylon PLC (the 'Bank') to the holders of the said fully paid, Basel III Compliant-Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures ('Debentures') with a Non-Viability Conversion feature, to the extent of the amounts due and payable on such Debentures (i.e. capital sum paid on the Debentures plus outstanding interest) which will be effected in the event the Central Bank of Sri Lanka determines that a Trigger Event which warrants the conversion of Debentures to Ordinary Voting Shares as defined in the Circular to Shareholders dated March 05, 2024 pertaining to the proposed issue of Debentures has occurred, which Shares shall be issued at the Conversion Price and credited to the holders of the Debentures as fully paid Ordinary Voting Shares which shall rank equal and *pari passu* with the then existing issued and fully paid Ordinary Voting Shares of the Bank including the right to participate in any dividend which may be declared after the date of allotment of such Shares be and is hereby approved in pursuance of Section 99 of the Companies Act No. 07 of 2007 (as amended) and Article 10 of the Articles of Association of the Bank.

By Order of the Board of Commercial Bank of Ceylon PLC,



R A P Rajapaksha
Company Secretary

March 05, 2024
Colombo

Circular to Shareholders Pertaining to the Proposed Issue of Debentures

THIS DOCUMENT IS OF VALUE – If you are in any doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately.

Dear Shareholder/s,

The Commercial Bank of Ceylon PLC (the 'Bank') made a profit of Rs. 20,460.962 Mn. (Group Rs. 21,899.660 Mn., as per the audited financial statements) for the year ended December 31, 2023. Total shareholders' funds improved to Rs. 214,931.002 Mn. (Group Rs. 224,974.493 Mn., as per the audited financial statements) as of December 31, 2023 from Rs. 203,698.676 Mn. (Group Rs. 212,972.574 Mn., as per the audited financial statements) as of December 31, 2022. Figures shown herein are extracted from published financial statements.

The Board of Directors of the Bank, having identified the need to strengthen the Tier 2 Capital Base of the Bank as per Basel III requirements, to reduce maturity mismatches, and in order to facilitate expansion, pursuant to a resolution, adopted on January 30, 2024, decided to initiate, and also to recommend to shareholders,

AN ISSUE OF BASEL III COMPLIANT - TIER 2 LISTED RATED UNSECURED SUBORDINATED REDEEMABLE 5 YEAR, 7 YEAR AND 10 YEAR DEBENTURES WITH A NON-VIABILITY CONVERSION TO ORDINARY VOTING SHARES TO BE ISSUED BY THE BANK, SOLELY IF INSTRUCTED TO DO SO BY THE CENTRAL BANK OF SRI LANKA ON OCCURRENCE OF A TRIGGER EVENT.

The proposed issue is to raise a sum of Rupees Ten Billion (Rs. 10,000,000,000/-) through the issuance of up to One Hundred Million (100,000,000) Basel III Compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion feature, each with a par value of Rs. 100/-, with an option to raise up to a further Rupees Five Billion (Rs. 5,000,000,000/-) through the issuance of up to a further Fifty Million (50,000,000) Debentures, each with a par value of Rs. 100/- in the event of an over-subscription of the initial issue and with a further option to raise up to a further Rupees Five Billion (Rs. 5,000,000,000/-) through the issuance

of up to a further Fifty Million (50,000,000) Debentures each with a par value of Rs. 100/- in the event of an oversubscription of the initial issue and the second tranche (hereinafter collectively called the 'Debentures' or 'Debenture Issue'). Based on the asset value referred to in Section 6 hereof, the proposed issue does not constitute a major transaction for the Bank as defined in Section 185 of the Companies Act No. 07 of 2007 (as amended).

The proposed Debentures will be redeemed after 5 years, 7 years and 10 years from the date of allotment of such Debentures and the principal sum and accrued interest (if any) payable on the redemption of such Debentures will be paid not later than three (03) market days from the date of redemption, unless a Trigger Event occurs as described in this circular.

The proposed issue of Debentures is subject to the approval of the Colombo Stock Exchange and the Central Bank of Sri Lanka and are to be issued under rules and regulations promulgated by the Colombo Stock Exchange and the Central Bank of Sri Lanka, including guidelines issued in relation to Basel III compliance in the Banking Act Directions No. 01 of 2016 issued by the Central Bank of Sri Lanka as may be amended from time to time.

Fitch Ratings Lanka Limited has assigned an expected rating of BBB+ (EXP) (Ika) for the proposed Debenture Issue. The final rating for the proposed Debenture Issue with a convertibility feature in compliance with Basel III requirements will be issued by Fitch Ratings Lanka Limited. Issuance of this rating will be subject to the adoption of a Special Resolution by the Shareholders of the Bank, at the Extraordinary General Meeting ('EGM') that is being convened, and receipt of approval of the Central Bank of Sri Lanka (CBSL). The final Rating Report will be incorporated in the Debenture Prospectus.

1.OBJECTIVES OF THE PROPOSED DEBENTURE ISSUE

The Bank expects to use the funds raised through the Debentures to strengthen Tier 2 capital of the Bank, to bridge asset-liability mismatches, and to support growth of customer loan portfolios with the expected revival of economic activities.

Funds raised through this Debenture Issue are expected to improve the Capital Adequacy of the Bank. The medium to long term duration of the Debentures and the subordinated nature of the instrument issued in compliance with Basel III requirements will enable the Bank to strengthen the Tier 2 Capital Base as per Basel III requirements. Approval will be obtained from the Central Bank of Sri Lanka to include the Basel III compliant Debentures under Tier 2 capital.

Since the Debentures proposed to be issued are of a medium to long term nature, being of tenures of 5, 7 and 10 years, the raising of funds through Debentures can be expected to reduce the mismatch between shorter term liabilities and medium to long term assets.

The Bank intends to lend the proceeds of the Debenture Issue and thereby expand the Bank's loan book in the ordinary course of business over a period of twelve (12) months. The monthly average disbursements for the quarter ended December 31, 2023 stood at Rs. 47 Bn. Therefore, it is unlikely that the Bank would not be able to lend the Debenture proceeds within a period of twelve (12) months.

The Bank as at date of this circular has not recognised related parties for the lending of the Debenture proceeds and therefore plans to disburse the Debenture proceeds in the ordinary course of business. However, in the event the Bank lends funds raised through this Debenture Issue to related parties, the Bank will comply with the requirements stipulated under Section 9 of the Colombo Stock Exchange (CSE) Listing Rules (as applicable). Further, in the event these Debentures are allotted to related parties, the Bank shall comply with all applicable laws/regulations in this regard, including requirements stipulated under Section 9 of the CSE Listing Rules (as applicable).

Current Capital Adequacy Status

The Bank is in compliance with the Basel III requirements as at December 31, 2023.

Current CAR* position of the Bank as at 31.12.2023 (as per the audited financial statements)	15.151%
Minimum CAR requirement to be maintained as at 31.12.2023 as per the Banking Act Directions No. 01 of 2016	14.000%
Expected CAR position, subsequent to the Basel III compliant Debenture Issue	As at 31.12.2023 with Rs. 10 Bn. 15.774%
	As at 31.12.2023 with Rs. 15 Bn. 16.083%
	As at 31.12.2023 with Rs. 20 Bn. 16.389%

*CAR = Capital Adequacy Ratio

The minimum Capital Adequacy requirements under Basel III are as follows:

Components of Capital	Banking Act Directions No. 01 of 2016
Common Equity Tier I Capital with Buffers (CCB** & Surcharge on D-SIB***)	8.500%
Total Tier I Capital with Buffers (CCB & Surcharge on D-SIB)	10.000%
Total Capital Ratio (Tier I + Tier II) with Buffers (CCB & Surcharge on D-SIB)	14.000%

**CCB = Capital Conservation Buffer

***D-SIB = Domestic Systemically Important Banks

Subordinated funds raised through this Debenture Issue in compliance with requirements under Basel III, are expected to further improve the Capital Adequacy Ratio of the Bank by increasing its Tier 2 Capital base thus strengthening its Total Eligible Capital as per Basel III requirements.

2. PROPOSED ISSUANCE OF BASEL III COMPLIANT DEBENTURES

Regulatory aspects regarding Basel III compliant subordinated debt

As per Banking Act Directions No. 01 of 2016 issued by the Central Bank of Sri Lanka, subordinated debt issued by licensed commercial banks needs to be compliant with Basel III requirements effective from July 01, 2017 in order to qualify as Tier 2 capital. According to Basel III guidelines, all subordinated debt issuance should have either a conversion feature allowing conversion to equity or a write-down feature. The Bank is therefore of the view that a Non-Viability Conversion feature should be included in the proposed Debentures, and that such conversion, if applicable, should be to Ordinary Voting Shares of the Bank upon occurrence of a Trigger Event.

The conversion of Debentures to Ordinary Voting Shares will be in accordance with the applicable laws and regulations of Sri Lanka and the new shares will, subject to the approval of the Colombo Stock Exchange, be listed and will be subject to the instructions of the Central Bank of Sri Lanka with regard to application of the Single Holder Limit at the time of conversion of the Debentures in to Ordinary Voting Shares of the Bank.

3. BENEFITS FOR THE BANK AND ITS SHAREHOLDERS THROUGH ISSUING BASEL III COMPLIANT DEBENTURES

- Issuance of Basel III compliant Debentures will improve the capital adequacy ratios of the Bank.
- The funds raised through the proposed Debenture Issue being of a medium to long-term nature will reduce maturity mismatches in the assets and liabilities portfolios of the Bank.
- Issuance of Basel III compliant Debentures will raise funds for expansion of the lending portfolio.
- Upon the occurrence of a Trigger Event, any outstanding balance of these Debentures including the total par value of the Debentures and Debenture interest accrued and unpaid as at that date will be converted to Ordinary Voting Shares of the Bank. As a result, the Non-Viability Conversion has the effect of acting as a buffer by reducing outstanding claims from liability holders (Debenture holders) in the event of an occurrence of a Trigger Event.
- Voting rights of the then existing Ordinary Voting Shareholders are not altered as long as the Non-Viability Conversion Debentures are not converted into Voting Shares of the Bank, and to the extent that a Trigger Event does not occur, the issuance of these Debentures is a suitable instrument to improve capital adequacy and fund growth without resorting to a new issue of equity.

4. ISSUANCE OF BASEL III COMPLIANT DEBENTURES

In order for the Debentures to be recognised as Tier 2 Capital of the Bank under Basel III as described in the Banking Act Directions No. 01 of 2016 issued by the Central Bank of Sri Lanka, the Debentures are required to have the following minimum features:

- Issued and fully paid in cash
- Listed on a recognised stock exchange
- Redeemable
- Subordinated to the claims of depositors and general creditors
- Unsecured and not covered by a guarantee or any other arrangement that legally or economically enhances the seniority of the claim above the depositors and general creditors of the Bank.
- Issued with the prior approval from the Central Bank of Sri Lanka for inclusion in Tier 2 capital
- A minimum tenure of 5 years
- Rated by an acceptable Rating Agency
- Have a feature through which, in the event that the Central Bank of Sri Lanka determining that it is appropriate and in the best interest of the Bank and therefore so directs the Bank to convert the Debentures into Ordinary Voting Shares of the Bank such that through issuance of these new Ordinary Voting Shares the new shares issued will cover the total outstanding under the Debentures (resulting from the 'Trigger Event' referred to in this circular).
- The investors in the Debentures have no rights to accelerate the repayment of future scheduled coupons, except in bankruptcy and liquidation of the Bank.
- Neither the Bank nor a banking group over which the Bank exercises control or significant influence can have purchased the instrument and the Bank cannot directly or indirectly have funded the purchase of the instrument.

The Bank may consider allotting up to seventy-five per centum (75%) of the issue value on a preferential basis to identified Qualified Investors of strategic importance.

5. ELIGIBLE INVESTORS FOR BASEL III COMPLIANT DEBENTURES

Investment and trading in Basel III compliant Debentures will be limited to Qualified Investors, as per Colombo Stock Exchange Listing Rule No. 2.2.1 n.

A Qualified Investor for the purpose of determining eligibility to invest in issuances of Basel III compliant Debentures shall be:

- A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- A specialised bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- A mutual fund, a pension fund, Employee Provident Fund or any other similar pooled fund
- A venture capital fund/company and private equity company
- A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011 (as amended)
- A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended)
- A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended)
- A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 07 of 2007
- An investment trust or investment company
- A non-resident institutional investor
- An individual with an initial investment of Rs. 5,000,000/-

6. SPECIFIC RISKS CONSIDERING THE OBJECTIVES OF THE ISSUE

Since the proposed total Debenture Issue is to raise up to Rs. 20 Bn. which is a relatively small amount as compared to the overall assets of Rs. 2,580.328 Bn. and liabilities of Rs. 2,365.397 Bn. of the Bank as at December 31, 2023 (as per the audited financial statements), there is no specific risk factor that may lead to non-achievement of the objectives as per the stipulated timelines, since the reliance on the Debenture proceeds for asset growth is marginal. However, an adjustment in asset growth and in maturity mismatch reduction may result to the extent that capital adequacy is not improved due to an under-subscription of the issue.

Until full disbursement of the Debenture proceeds, the funds raised through the Debenture Issue will be invested in Short Term Securities. Such investments in Short Term Securities are expected to generate an average return of 9% p.a. at current market rates. In the event the Debenture proceeds are not fully utilised as per stated objectives, such non-utilisation can be expected to lead to a reduction in Net Interest Income as undisbursed Debenture funds would be invested in Short Term Securities as opposed to being utilised in lending activities which can be expected to generate a higher Net Interest Income.

In the event the proposed Debenture Issue is under-subscribed, the Bank may have to adjust asset growth to comply with Basel III requirements. However, under-subscription is not envisaged since there has been reasonable demand for recent Debenture Issues of the Bank. No further Shareholder approval will be needed in the event the proposed Debenture Issue is not fully subscribed for or if the timelines stated above are amended as thought fit by the Bank.

7. CONTINUING DISCLOSURE REQUIREMENTS

The Bank undertakes to disclose the progress of the utilisation of the proceeds of the proposed Debenture Issue in the Annual Report/s and future interim financial statements until funds raised through the proposed Debenture Issue are fully utilised. The format of the relevant disclosures to be made shall be disclosed in the Prospectus.

8. TERMS AND METHOD OF CONVERSION

Occurrence of 'Trigger Event'

A 'Trigger Event' is determined by and at the sole discretion of the Central Bank of Sri Lanka (i.e. conversion of the said Debentures upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 01 of 2016 of Web Based Return Code 20.2.3.1.1.1(10) (iii) (a & b) as a point/event being the earlier of:

- 'A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Central Bank of Sri Lanka.
- The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Central Bank of Sri Lanka'

The Banking Act Directions No. 01 of 2016 dated December 29, 2016, on the web based returns specify in index reference 20.2.3.1.1.1. (10) (i) that, for such Debentures to be qualified as Tier 2 Capital (under Basel III guidelines) they should have a convertibility clause which enables the Debenture to be converted to Ordinary Shares on the occurrence of a Trigger Event. Furthermore, the Bank is of the view that any conversion of debt to equity upon conversion should have the same rights and privileges of the then existing Ordinary Voting Shareholders (ranking equal and *pari passu* with the then existing Ordinary Voting Shares) and hence consider it appropriate to effect conversion of the proposed Debentures to Ordinary Voting Shares.

The Bank on receipt of a Trigger Event notification from the Central Bank of Sri Lanka will immediately make a market announcement of such notification and thereafter announce the 'price' and 'dates' (such as the Trigger Event date and the date of allotment) pertaining to the pending conversion of Debentures to Ordinary Voting Shares.

Conversion Ratio

Upon the occurrence of the Trigger Event, the Bank shall be required and entitled to issue and allot within twenty (20) days, Ordinary Voting Shares of the Bank ranking equal and *pari passu* with the then existing Ordinary Voting Shares, to the Debenture holders up to the outstanding balance of such Debentures, including the total par value of the Debentures and the Debenture interest accrued and unpaid. This will be at a conversion price which will be based on the simple average of daily Volume Weighted Average Price of Ordinary Voting Shares of the Bank as published by the Colombo Stock Exchange, during the three (3) month period, immediately preceding the date of the Trigger Event. The Central Depository System (CDS) upload pertaining to Ordinary Voting Shares will be completed within ten (10) market days from the date of allotment of such Ordinary Voting Shares. In the event if any Debenture holder being entitled to a fractional allotment of an Ordinary Voting Share on such issuance and allotment, the Bank shall settle the resulting sums in cash, based on the conversion price within fourteen (14) market days from the date of allotment of the said Ordinary Voting Shares.

Conversion and Trigger

The Bank has decided to use the simple average of the daily Volume Weighted Average Price (VWAP) as indicated above due to its practicality and equitability to all shareholders as a pricing formula for

conversion. This formula takes into account the market price over a three (03) month period preceding the date of the Trigger Event thereby lessening the impact of short-term price volatility and the volume impact in pricing. Due to the formula being applied using publicly available data published by the Colombo Stock Exchange, there is a high degree of transparency that results from the adoption of this method.

Ordinary Voting Shares arising from the Non-Viability Conversion will be listed on the Colombo Stock Exchange.

If there is an issuance of Ordinary Voting Shares to the Debenture holders upon the occurrence of the Trigger Event, a Debenture holder would cease to be a Debenture holder and would become a Shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with the then existing Ordinary Voting Shareholders with Voting rights after the allotment of new shares to such Shareholders (being the previous Debenture holders) and will rank superior to the Ordinary Non-Voting Shareholders in respect of the voting rights attaching to the shares issued upon conversion.

Subsequent to the Debenture holders becoming Shareholders of the Bank, due to the occurrence of the Trigger Event and the resultant conversion, they would be entitled to exercise such rights as are exercisable by the other Shareholders of the Bank holding Ordinary Voting Shares. Once the conversion of Debentures is concluded, the Debentures will cease to exist.

Dilution of Shareholding upon a Conversion of Debentures

In the event of conversion to Ordinary Voting Shares, there would be a dilution of the then existing shareholding percentage held by the then existing Shareholders. However, the extent of the dilution will be dependent on several factors that cannot be determined at this point, as indicated below:

The number of shares to be issued resulting from such a conversion will be determined by the 'Conversion Price' at the 'Trigger Point' as detailed below.

There will be a dilution impact on the shareholdings of the existing Shareholders.

- If the simple average of the daily Volume Weighted Average Price (VWAP) at the point of conversion is low compared to the prevailing share price, it would result in the allocation of a comparatively higher number of Ordinary Voting Shares by the Bank to the Debenture holders, which will dilute the shareholding of existing Shareholders.
- If the simple average of daily Volume Weighted Average Price (VWAP) at the point of conversion is high compared to the prevailing share price, it would result in the allocation of a comparatively lower number of Ordinary Voting Shares by the Bank, which will dilute the shareholding of existing Shareholders to a lesser extent than in the former instance described above.
- In order to avoid dilution of the shareholding of the then existing Shareholders due to a conversion, in the event of there being a likelihood of the occurrence of the Trigger Event, prior to conversion of the said Debentures into Ordinary Voting Shares, the then existing Shareholders will be first called upon to infuse additional share capital and if such infusion is not forthcoming, the proposed Debenture (i.e. Tier 2 Capital) will get converted in to Ordinary Voting Shares of the Bank upon the determination of the 'Non-Viability' point by the Central Bank of Sri Lanka and upon instructions being issued to the Bank in this regard.
- The extent of dilution of the then existing Shareholders will have to be determined by reference to the number of shares that are in issue at the time of such a conversion. The number of shares that are in issue at the time of a conversion can vary during the tenure of the Debentures due to the issuance of new shares by way of scrip dividends, rights issues, capitalisation of reserves, Employee Share Option Plan schemes and/or any other relevant corporate action.

Pre-emptive Subscription Rights

Waiver of pre-emptive rights

In keeping with the Central Bank regulation, it is the Bank's intention to obtain Shareholder approval for the issuance of Ordinary Voting Shares [which may be required to be issued due to the Central

Bank of Sri Lanka instructing the Bank to exercise the convertible feature attached to these Debentures (the occurrence of the 'Trigger Event')] and to waive the pre-emptive rights of the existing Ordinary Voting Shareholders.

Non-occurrence of a Trigger Event

In the event of a non-occurrence of a Trigger Event these Debentures will be redeemed after 5, 7 and 10 years from the date of allotment of such Debentures and the principal sum and unpaid and accrued interest (if any) payable on the redemption of Debentures will be paid not later than Three (03) Market Days from the date of redemption, unless otherwise a Trigger Event occurs.

9. ACCOUNTING FOR THE INCREASE IN PORTFOLIO RISK RESULTING FROM THE MACRO ECONOMIC ENVIRONMENT

The Bank performed a comprehensive assessment of individually significant customers as at December 31, 2023, and based on the assessment, those customers who have been impaired due to an increased credit risk were moved from Stage 1 to Stage 2 or Stage 3 based on the higher credit risk, as applicable. The Bank continued to review the key assumptions used in the impairment computation against individually significant customers classified under Stages 2 and 3 during the period under review. Key assumptions such as security realisation period, and factors used to determine the security valuation were continuously monitored in relation to customers who have been affected by the economic downturn and accordingly additional impairment provisions were recognised.

Further, the Bank continued to apply all other prudent assumptions used in 2022, during 2023 as well. The Bank also continued to recognise additional impairment provisions by way of management overlays for facilities in the risk elevated industries during the year 2023.

The Bank reclassified bulk of its Treasury Bond Portfolio amounting to Rs. 197.08 Bn., majority of Sri Lanka Development Bond (SLDB) portfolio amounting to Rs. 55.47 Bn., (USD 152.19 Mn.) and entire Sri Lanka Sovereign Bond (SLSB) portfolio amounting

to Rs. 39.60 Bn., (USD 108.63 Mn.) from Fair Value Through Other Comprehensive Income (FVOCI) category to Amortised Cost category, with effect from April 01, 2022, in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio due to unprecedented changes in the macro-economic conditions. The fair value of the debt portfolio reclassified on April 1, 2022, and remaining as at December 31, 2023 amounted to Rs. 160.21 Bn., and the cumulative fair value loss thereon amounted to Rs. 27.44 Bn. (Net of tax Rs. 19.21 Bn.).

10. REASON FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

As per rule No. 2.2.1 m. of the Listing Rules of the Colombo Stock Exchange, the Bank is required to obtain the approval of the Shareholders in respect of the proposed Debenture Issue by way of a Special Resolution.

It will also be necessary to obtain a waiver of the pre-emptive right to a new issue of shares as prescribed by Article 9A of the Articles of Association of the Bank by means of a duly passed Ordinary Resolution, in respect of the allotment and issue of new Ordinary Voting Shares by the Bank to the holders of the said Debentures in the case of a Trigger Event which warrants such a conversion of Debentures to Ordinary Voting Shares.

Furthermore, it will also be necessary, in compliance with Section 99 of the Companies Act No. 07 of 2007 (as amended) and Article 10 of the Articles of Association of the Bank, to obtain, by means of a duly passed Special Resolution, approval of the Shareholders in respect of the proposed share issue which may arise pursuant to the conversion of Debentures in the case of a Trigger Event, which may in turn affect the rights attached to the Bank's existing Ordinary Voting and Non-Voting Shares.

Therefore, an Extraordinary General Meeting of the Bank is being convened in accordance with the Notice of Meeting attached hereto, for the purpose of passing the Resolutions set out therein.

Shareholders who are unable to participate at the meeting are entitled to appoint a proxy to participate at the said meeting and speak and also vote on their behalf, depending on their voting rights. If you wish to appoint such a proxy, kindly complete and return the enclosed Form of Proxy (in accordance with instructions specified therein) to the Bank by facsimile on 0112332317 or email to companysecretary@combank.net or by post to Company Secretary, Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, not later than forty-eight (48) hours before the time appointed for the holding of the EGM.

By Order of the Board of Commercial Bank of Ceylon PLC,



R A P Rajapaksha
Company Secretary

March 05, 2024
Colombo

Form of Proxy (Voting Shareholders) – Annual General Meeting (AGM)

I/We of
being a shareholder/s of Commercial Bank of Ceylon PLC hereby appoint
 (NIC No.) of
 whom failing:

Prof Ananda Kithsiri Wijenayaka Jayawardane	whom failing
Mr Sharhan Muhseen	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Mr Raja Senanayake	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	

as my/our Proxyholder to represent me/us and to speak at the Meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matters set out hereunder) at the Fifty-Fifth (55th) Annual General Meeting (AGM) of Commercial Bank of Ceylon PLC which is scheduled to be held on Thursday, March 28, 2024 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a '✓' in the relevant box.)

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Financial Statements for the year ended December 31, 2023 together with the Report of the Auditors thereon.	☐	☐
2. To declare a dividend as recommended by the Directors and to consider and if thought fit, to pass the following resolutions set out in the attached Notice of Meeting:		
i. Declaration of a first and final dividend and approval of its method of satisfaction (Dividend Resolution No. 1)	☐	☐
ii. Waiver of pre-emption rights (Dividend Resolution No. 2)	☐	☐
iii. Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 3)	☐	☐
3. To re-elect/elect the following Directors who, in terms of the Company's Articles of Association, are retiring by rotation or otherwise as given below:		
i. To re-elect Mr R Senanayake who retires by rotation in terms of Article 86 of the Articles of Association.	☐	☐
ii. To re-elect Mr S Muhseen who retires by rotation in terms of Article 86 of the Articles of Association.	☐	☐
iii. To elect Mr P M Kumarasinghe who was appointed to the Board in terms of Article 92 of the Articles of Association.	☐	☐
4. (i) To appoint Messrs KPMG, Chartered Accountants as recommended by the Board of Directors, as Auditors to the Company for the Financial Year ending December 31, 2024.	☐	☐
(ii) To authorise the Board of Directors to determine the remuneration of the Auditors for the Financial Year ending December 31, 2024.	☐	☐
5. To authorise the Board of Directors to determine donations for the year 2024.	☐	☐

Signed on this day of Two Thousand and Twenty Four.

.....
Folio Number

.....
Signature/s of shareholder/s

.....
NIC/PP/Co. Reg. No. of shareholder/s

Notes:

Instructions as to completion of this Form of Proxy are given below.

- (i) As regards voting on the Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.
- (ii) If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.
- (iii) If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its constitutional documents, if any, or be signed by its attorney or by an officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.
- (iv) Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
- (v) The use of the word 'Member/s' herein is a reference to 'Shareholder/s'.

Instructions as to completion of Form of Proxy

- (a) Article 68 of the Articles of Association of the Company provides that: 'An instrument appointing a proxy shall be in writing, and
 - (i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
 - (ii) A proxy need not be a member of the Company'.
- (b) In terms of Article 63 of the Articles of Association of the Company:

'In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding'.
- (c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.
- (d) The duly completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.
- (e) Articles 57 to 60 of the Articles of Association of the Company, dealing with voting are quoted below, for information of Shareholders:

57. Method of voting

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) The Chairman of the meeting; or
 - (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or
 - (iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.
- A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE 'FOLIO NUMBER' APPEARING IN THE ADDRESS LABEL (PASTED ON THE ENVELOPE) IN THE SPACE PROVIDED FOR 'FOLIO NUMBER' IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE 'FOLIO NUMBER' WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

Form of Proxy (Non-Voting Shareholders) – Annual General Meeting (AGM)

/We of.....
..... being a shareholder/s of Commercial Bank of Ceylon PLC hereby appoint
..... (NIC No.) of
..... whom failing:

Prof Ananda Kithsiri Wijenayaka Jayawardane	whom failing
Mr Sharhan Muhseen	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Mr Raja Senanayake	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	

as my/our Proxyholder to represent me/us and to speak at the meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matters set out hereunder) at the Fifty-Fifth (55th) Annual General Meeting (AGM) of Commercial Bank of Ceylon PLC which is scheduled to be held on Thursday, March 28, 2024 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a '✓' in the relevant box.)

Item in the Notice of Meeting	For	Against
2 To declare a dividend as recommended by the Directors and to consider and if thought fit, to pass the following resolutions set out in the attached Notice of Meeting:		
(ii) Waiver of pre-emption rights (Dividend Resolution No. 2)	☐	☐
(iii) Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 3)	☐	☐

Signed on this day of Two Thousand and Twenty Four.

..... Folio Number	 Signature/s of shareholder/s	 NIC/PP/Co. Reg. No. of shareholder/s

Notes:

Instructions as to completion of this Form of Proxy are given below.

- (i) *Shareholders of non-voting shares are entitled only to attend and speak at the meeting and to vote only in respect of the Resolutions set out in items 2 (ii) and 2 (iii) of the Notice of Meeting. As regards voting on the said two (02) Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.*
- (ii) *If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.*
- (iii) *If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its constitutional documents, if any, or be, signed by its attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/Statute.*
- (iv) *Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.*
- (v) *The use of the word 'Member/s' herein is a reference to 'Shareholder/s'.*

Instructions as to completion of Form of Proxy

- (a) Article 68 of the Articles of Association of the Company provides that: 'An instrument appointing a proxy shall be in writing, and
 - (i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
 - (ii) A proxy need not be a member of the Company'.
- (b) In terms of Article 63 of the Articles of Association of the Company:
 'In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding'.
- (c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.
- (d) The duly completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.

- (e) Articles 57 to 60 of the Articles of Association of the Company, dealing with voting are quoted below, for information of Shareholders:

'57. Method of voting

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) The Chairman of the meeting; or
 - (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or
 - (iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.
- A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE 'FOLIO NUMBER' APPEARING IN THE ADDRESS LABEL (PASTED ON THE ENVELOPE) IN THE SPACE PROVIDED FOR 'FOLIO NUMBER' IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE 'FOLIO NUMBER' WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

Form of Proxy (Voting Shareholders) – Extraordinary General Meeting (EGM)

I/We of

..... being a shareholder/s of Commercial Bank of Ceylon PLC (the 'Bank') hereby appoint

..... (NIC No.) of

..... whom failing:

Prof Ananda Kithsiri Wijenayaka Jayawardane	whom failing
Mr Sharhan Muhseen	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Mr Raja Senanayake	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	

as my/our Proxyholder to represent me/us and to speak at the Meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matter set out hereunder) at the Extraordinary General Meeting (EGM) of Commercial Bank of Ceylon PLC, which will be held immediately after the conclusion of the Annual General Meeting (AGM) convened for Thursday, March 28, 2024 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a '✓' in the relevant box.)

Item in the Notice of Meeting	For	Against
To consider and if thought fit to pass the following resolutions set out in the attached Notice of Meeting:		
1. Resolution No. 1 – Approve the proposed issue of Debentures in terms of Rule 2.2.1 m. of the Listing Rules of Colombo Stock Exchange	☐	☐
2. Resolution No. 2 – Waiver of pre-emption rights relating to Debenture Issue 2024	☐	☐
3. Resolution No. 3 – Approve the issue of Ordinary Voting Shares to the holders of Debentures to the extent of the amounts due and payable on such Debentures in the event the Central Bank of Sri Lanka determines that a Trigger Event as defined in the Circular to Shareholders pertaining to the proposed issue of Debentures has occurred	☐	☐

Signed on this day of Two Thousand and Twenty Four.

.....
Folio Number

.....
Signature/s of shareholder/s

.....
NIC/PP/Co. Reg. No. of shareholder/s

Note that instructions as to completion of this Form of Proxy are given overleaf.

Notes:

- (i) *With regards voting on the Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.*
- (ii) *If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Bank.*
- (iii) *If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its constitutional documents, if any, or be signed by its attorney or by an officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.*
- (iv) *Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.*
- (v) *The use of the word 'Member/s' herein is a reference to 'Shareholder/s'.*

Instructions as to completion of Form of Proxy

- (a) Article 68 of the Articles of Association of the Bank provides that: 'An instrument appointing a proxy shall be in writing, and
 - (i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Bank may, but shall not be bound to require evidence of the authority of any such attorney or officer.
 - (ii) A proxy need not be a member of the Bank'.
- (b) In terms of Article 63 of the Articles of Association of the Bank: 'In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding'.
- (c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.
- (d) The completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.
- (e) Articles 57 to 60 of the Articles of Association of the Bank, dealing with voting are quoted below, for information of Shareholders:

'57. Method of voting

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) The Chairman of the meeting; or
- (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or
- (iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE 'FOLIO NUMBER' APPEARING IN THE ADDRESS LABEL (PASTED ON THE ENVELOPE) IN THE SPACE PROVIDED FOR 'FOLIO NUMBER' IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE 'FOLIO NUMBER' WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

Form of Proxy (Non-Voting Shareholders) – Extraordinary General Meeting (EGM)

I/We of

..... being a shareholder/s of Commercial Bank of Ceylon PLC (the 'Bank') hereby appoint

..... (NIC No.) of

..... whom failing:

Prof Ananda Kithsiri Wijenayaka Jayawardane	whom failing
Mr Sharhan Muhseen	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Mr Raja Senanayake	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	

as my/our Proxyholder to represent me/us and to speak at the Meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matter set out hereunder) at the Extraordinary General Meeting (EGM) of Commercial Bank of Ceylon PLC, which will be held immediately after the conclusion of the Annual General Meeting (AGM) convened for Thursday, March 28, 2024 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a '✓' in the relevant box.)

Item in the Notice of Meeting

For Against

To consider and if thought fit to pass the following resolution set out in the attached Notice of Meeting:

3. Resolution No. 3 – Approval of an issue of Ordinary Voting Shares to the holders of Debentures to the extent of the amounts due and payable on such Debentures in the event the Central Bank of Sri Lanka determines that a Trigger Event as defined in the Circular to Shareholders pertaining to the proposed issue of Debentures has occurred

☐ ☐

Signed on this day of Two Thousand and Twenty Four.

.....
Folio Number

.....
Signature/s of shareholder/s

.....
NIC/PP/Co. Reg. No. of shareholder/s

Note that instructions as to completion of this Form of Proxy are given overleaf.

Notes:

- (i). *Shareholders of non-voting shares are entitled only to attend and speak at the meeting and to vote only in respect of the Resolution set out in item 3 of the Notice of Meeting.*
- (ii). *As regards voting on the Resolution indicated in the Form of Proxy, if no words are struck out or there is, in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.*
- (iii). *If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Bank.*
- (iv). *If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its Constitutional Documents, if any, or be signed by its attorney or by an officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.*
- (v). *Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.*
- (vi). *The use of the word 'Member/s' herein is a reference to 'Shareholder/s'.*

Instructions as to completion of Form of Proxy

- (a) Article 68 of (a) Article 68 of the Articles of Association of the Bank provides that: 'An instrument appointing a proxy shall be in writing, and
 - (i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Bank may, but shall not be bound to require evidence of the authority of any such attorney or officer.
 - (ii) A proxy need not be a member of the Bank'.
- (b) In terms of Article 63 of the Articles of Association of the Bank: 'In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding'.
- (c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.
- (d) The completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.
- (e) Articles 57 to 60 of the Articles of Association of the Bank, dealing with voting are quoted below, for information of Shareholders:

57. Method of voting

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) The Chairman of the meeting; or
- (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or
- (iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

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Stakeholder Feedback Form

Dear Reader,

Your opinion matters. Please share your views with us.

WHICH STAKEHOLDER GROUPS DO YOU BELONG TO? (You may tick more than one)

☐ Shareholder	☐ Customer	☐ Community	☐ Public Authority
☐ Investor	☐ Employee	☐ Student	☐ Regulatory Body
☐ Journalist	☐ Supplier	☐ Analyst	☐ NGO
☐ Service Provider	☐ Special Interest Group	☐ Other	

DOES THE REPORT ADDRESS ISSUES OF GREATEST INTEREST TO YOU?

☐ Comprehensively	☐ Partially	☐ Not at all

RATE YOUR OVERALL IMPRESSION OF THIS REPORT IN TERMS OF:

	Excellent	Good	Fair	Poor
Informative	☐	☐	☐	☐
Transparent	☐	☐	☐	☐
Trustworthy	☐	☐	☐	☐
Comprehensive	☐	☐	☐	☐
User friendly	☐	☐	☐	☐
Design and layout	☐	☐	☐	☐
Style of language	☐	☐	☐	☐
Overall rating	☐	☐	☐	☐

PLEASE IDENTIFY ANY ADDITIONAL ISSUES THAT YOU THINK SHOULD BE REPORTED ON:

.....

.....

.....

.....

DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE REPORT – OR ON BANK’S PERFORMANCE IN GENERAL?

.....

.....

.....

.....

To request information or submit a comment/query to the Bank, please provide the following details and return this page to –

The Company Secretary

Commercial Bank of Ceylon PLC
“Commercial House”
No. 21, Sir Razik Fareed Mawatha
P.O. Box 856
Colombo 01
Sri Lanka

Name :

Permanent Mailing Address :

Contact Number/s

- Tel :

- Fax :

- Email :

Name of Company (If applicable) :

Designation (If applicable) :

Company address (If applicable) :

Please tick (✓) the appropriate box

	Yes	No
Would you like to receive soft copies of the Commercial Bank’s Interim Financial Reports via email?	☐	☐
Would you like to receive news and press releases of Commercial Bank via email?	☐	☐
Would you like to receive any news on our products/services?	☐	☐

Corporate information

General

Name of Company

Commercial Bank of Ceylon PLC

Company Registration Number

PQ 116

Legal Form

A public limited liability Company incorporated in Sri Lanka on June 25, 1969 under the Companies Ordinance No. 51 of 1938 and quoted in the Colombo Stock Exchange in March 1970.

The Company was re-registered under the Companies Act No. 07 of 2007. Commercial Bank of Ceylon PLC is a Licensed Commercial Bank under the Banking Act No. 30 of 1988.

Accounting Year-end

December 31

Tax Payer Identification Number (TIN)

124006007

Registered Office

"Commercial House"
No. 21, Sir Razik Fareed Mawatha,
P.O. Box 856,
Colombo 01, Sri Lanka.
Telephone (General):
+94 11 248 6000-5 (5 lines), 4486000,
7486000, 5486000
SWIFT Code – Sri Lanka: CCEYLKX
SWIFT Code – Bangladesh: CCEYBDDH
E-mail: info@combank.net
Web: <https://www.combank.lk>

Head Office

"Commercial House",
No. 21, Sir Razik Fareed Mawatha,
P.O. Box 856, Colombo 01,
Sri Lanka.

Stock Exchange Listing

The Ordinary Shares and the Unsecured Subordinated Redeemable Debentures of the Bank are listed on the Colombo Stock Exchange.

Compliance Officer

Ms A V P K T Amarasinghe

Information Centre

Telephone: +94 11 235 3333, 735 3333

Credit Ratings

Sri Lanka Operation

- National Long-term rating: "A(Ika)"/
Outlook Stable by Fitch Ratings Lanka
Limited in October 2023.
- Basel III Subordinated Debentures:
"BBB+(Ika)" by Fitch Ratings Lanka Limited
in November 2023.

Bangladesh Operation

- AAA was re-affirmed by Credit Rating
Information & Services Limited in
June 2023.

Professional Expertise

Lawyers

Messrs Julius & Creasy,
No. 371, R A de Mel Mawatha,
Colombo 03,
Sri Lanka.

Auditors

Messrs Ernst & Young,
Chartered Accountants,
Rotunda Towers, No. 109, Galle Road,
Colombo 03,
Sri Lanka.

Registrars

Messrs S S P Corporate Services (Pvt) Ltd.,
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephone: +94 11 257 3894, 257 6871
Facsimile: 2573609
E-mail: sspsec@sltnet.lk
(Kindly direct any queries about the
administration of the shareholding to the
above Company)

Subsidiaries and Associate

Local Subsidiaries

Commercial Development Company PLC
CBC Tech Solutions Limited
CBC Finance Limited
Commercial Insurance Brokers (Pvt) Limited

Foreign Subsidiaries

Commercial Bank of Maldives Private Limited
CBC Myanmar Microfinance Company Limited
Commex Sri Lanka S.R.L. – Italy (*Liquidation is
nearing completion*)

Associate

Equity Investments Lanka Limited

Board of Directors

Board of Directors

Prof A K W Jayawardane – *Chairman*
Mr S Muhseen – *Deputy Chairman*
Mr S C U Manatunge –
Managing Director/Chief Executive Officer
Mr L D Niyangoda
Ms N T M S Cooray
Ms J Lee
Mr R Senanayake
Ms D L T S Wijewardena
Dr S Selliah
Mr S Prabagar –
Director/Chief Operating Officer
Mr D N L Fernando
(*appointed w.e.f. February 07, 2023*)
Mr P M Kumarasinghe
(*appointed w.e.f. April 12, 2023*)

Company Secretary

Mr R A P Rajapaksha

Board Committees

Mandatory Board Committees

Board Audit Committee

Mr R Senanayake – *Chairman*
Ms N T M S Cooray
Ms J Lee
Ms D L T S Wijewardena
Mr D N L Fernando
Mr S C U Manatunge – (*By invitation*)
Mr S Prabagar – (*By invitation*)

Board Integrated Risk Management Committee

Ms J Lee – *Chairperson*
Mr S C U Manatunge
Mr L D Niyangoda
Mr R Senanayake
Ms D L T S Wijewardena
Mr D N L Fernando
Mr P M Kumarasinghe
Mr S Prabagar – (*By invitation*)

Board Nominations and Governance Committee

Prof A K W Jayawardane – *Chairman*
Mr S Muhseen
Ms J Lee
Dr S Selliah
Mr S C U Manatunge (*By Invitation*)

Board Human Resources & Remuneration Committee

Prof A K W Jayawardane – *Chairman*
Mr S Muhseen
Ms J Lee
Dr S Selliah
Mr S C U Manatunge (*By Invitation*)

Board Related Party Transactions Review Committees

Prof A K W Jayawardane – *Chairman*
Mr L D Niyangoda
Mr R Senanayake
Mr P M Kumarasinghe
Mr S C U Manatunge (*By Invitation*)
Mr S Prabagar (*By Invitation*)

Board Capital Expenditure Review Committee

Mr S Muhseen – *Chairman*
Ms N T M S Cooray
Dr S Selliah
Mr S C U Manatunge - (*By invitation*)
Mr S Prabagar - (*By invitation*)

Voluntary Board Committees

Board Credit Committee

Prof A K W Jayawardane – *Chairman*
Mr S Muhseen
Ms N T M S Cooray
Mr S C U Manatunge
Mr S Prabagar
Mr D N L Fernando

Board Investment Committee

Mr S Muhseen – *Chairman*
Ms J Lee
Ms N T M S Cooray
Mr S C U Manatunge
Mr S Prabagar
Dr S Selliah

Board Technology Committee

Mr S Muhseen – *Chairman*
Mr S C U Manatunge
Ms D L T S Wijewardena
Mr S Prabagar
Mr P M Kumarasinghe

Board Strategy Development Committee

Prof A K W Jayawardane – *Chairman*
Mr S Muhseen
Mr S C U Manatunge
Mr L D Niyangoda
Ms N T M S Cooray
Ms J Lee
Mr R Senanayake
Dr S Selliah

FATCA GIIN Number

GIIN 3TU322.00000.LE.144 (for CBC-CMB)
GIIN 3TU322.00000.BR.050 (for CBC Dhaka)



This Integrated Annual Report is GHG-neutral

Produced by Smart Media (Pvt) Limited, a GHG-neutral company that reduces and offsets its direct and indirect greenhouse gas emissions through certified sources.

Net-zero GHG since 2011

For Investor Relations and clarifications on this Report please write to:

Chief Financial Officer
Commercial Bank of Ceylon PLC,
"Commercial House",
No. 21, Sir Razik Fareed Mawatha,
P.O. Box: 856, Colombo 01, Sri Lanka.
Telephone: +94 11 248 6550
Email: email@combank.net



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www.SmartAnnualReport.com



www.carbonfund.org

www.combank.lk