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Seylan Bank PLC Annual Report 2023

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ROAD TO THE NEXT PHASE

As we mark a significant milestone in our corporate journey, we look back on the significant achievements and strides of resilience. Over the years, we have been successful in transforming the banking landscape with our distinctive services by supporting entrepreneurial success whilst partnering economic progress. Our odyssey into the future is strongly powered by individuals and businesses who have been empowered through our financial solutions.

ABOUT THIS REPORT

Who we are **SEYLAN BANK PLC**

Seylan Bank PLC is pleased to present its eleventh Integrated Annual Report for the year ending 31 December 2023. This 2023 Integrated Annual Report details how Seylan Bank PLC ('We' or 'Seylan Bank') created value for its providers of financial capital and other stakeholder groups during the year. The Bank's Annual Report as always maintains transparency with regard to its financial and non-financial reporting to the stakeholders making them more comfortable in their way forward investor, business and other decisions.

Reporting scope and boundary

This Integrated Annual Report provides a comprehensive view of Seylan Bank's financial and non-financial performance from 1 January 2023 to 31 December 2023 (FY2023). It also includes all material events up to the date of Board approval of financials. There are no significant changes from previous reporting periods in the scope and aspect boundaries and the most recent annual report covered the 12-month period ended 31 December 2022. Comparative financial information, if re-classified or re-stated, has been disclosed and explained in the relevant sections. The content of this Report does not cover the activities of its subsidiary, Seylan Developments PLC, which produces its own Annual Report.

Digital Version

the Bank's website at

This integrated report can be accessed through

https://www.seylan.lk/about-us/investor-relation

Our integrated annual reporting boundary covers opportunities, risks and outcomes arising from:



Our financial reporting boundary Covers the core business operations of the Bank

REPORTING FRAMEWORKS

Financial Statements	Narrative Report	Sustainability Reporting	Corporate Governance Report
 Companies Act No. 07 of 2007 Sri Lanka Accounting Standards and Other Guidelines issued by the CA Sri Lanka (SLFRSs & LKASs) Banking Act No. 30 of 1988 and amendments thereto Relevant directions/circulars issued on reporting formats by the Central Bank of Sri Lanka Listing Rules of the Colombo Stock Exchange / Securities Exchange Commission (SEC) Regulations 	 Integrated Reporting Framework Guidelines for the presentation of Annual Reports issued by CA Sri Lanka 	 GRI Standards (2021) of the Global Reporting Initiative Sustainable Development Goals (SDG's) Non-Financial Reporting Guidelines issued by CA Sri Lanka Gender Parity Reporting Framework issued by CA Sri Lanka 	 Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023) Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka, issued by the Central Bank of Sri Lanka and any amendments thereto Listing Rules of the Colombo Stock Exchange / SEC Regulations Companies Act No. 07 of 2007 Banking Act No. 30 of 1988 and amendments thereto
CA 👰	Consection of the Land	EGRATED REPORTING (III)	SUISTAINABLE DEVELOPHENT

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Materiality

Our material matters guide the content of this report, and we consider a disclosure to be material if it has the potential to significantly impact our ability to create or preserve value in the short, medium and long term, or if it could potentially result in value erosion.

We aim to transparently communicate how these material matters are addressed within our business operations and strategic decision-making processes. By identifying and addressing these significant issues, we strive to enhance stakeholder confidence, translate into decision making, and ultimately, the long-term success of the Bank.

Combined assurance

We ensure that high quality of information is disclosed in this report by undergoing a robust assurance process, leveraging our strengthened capabilities as well as external assurance. We engaged Messrs. KPMG to obtain external assurance on our consolidated financial statements and limited assurance on our sustainability reporting.

Forward looking statements

Bank's Financial and Non-Financial forecasts disclosed in this report are prepared based on assumptions and estimations expected under current and future economic and market conditions and those could be changed with the change in conditions.



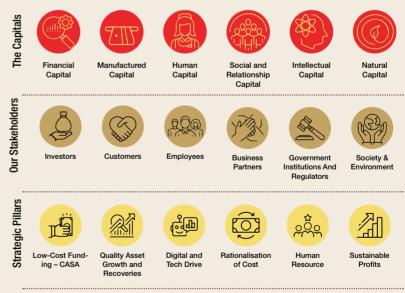
Integrated approach

Integrated thinking is embedded in our vision to be Sri Lanka's leading financial services provider as recognised by all our stakeholders. We apply integrated thinking as we recognize, measure and execute our strategic decisions to create sustainable value for our stakeholders while managing the impact if any.

Statement of responsibility

The Board of Seylan Bank holds the ultimate responsibility for this Integrated Report. The Board recognises that the Integrated Report of Seylan Bank PLC for the year ending on 31 December 2023 is presented in accordance with the <IR> Framework 2021. Accordingly, the Board approved this report for publication and release.

NAVIGATING THIS REPORT





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

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ABOUT US Corporate portrait

As a financial institution in the lives of many people and businesses we have an important role to play in supporting to build a better future and a more resilient and sustainable economy. As a bank that prides itself on producing many "industry firsts",



our product portfolio is designed to deliver real value to our customers. We place customer aspirations as key priority and we continue to successfully navigate evolving market dynamics, and consistently adapt offerings to meet the needs of a dynamic clientele.

Driving responsible growth

Seylan Bank is a licensed commercial bank and a public limited liability company incorporated in Sri Lanka and listed on the Colombo Stock Exchange. Having commenced operations in 1988, Seylan Bank, celebrated a milestone of 35 years of proudly serving all stakeholders with an unwavering dedication to excellence.

The Bank offers a comprehensive suite of products and services to its corporate, medium and small enterprises (SME) and retail customers. Seylan Bank is focused on delivering a positive societal and environmental impact underpinned by a unique customer-centric and people-driven culture.

Our "Strategic Sustainability Roadmap" sets ambitious goals that support our commitment to shaping a more sustainable and inclusive business and society. We take greater care in building sustainable supply chains; in protecting the environment and the natural resources and in our commitment to skills development, empowerment, inclusion and diversity.

Shaping the way we work

Vision

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

Mission

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

Achieving our ambitions

Our high level inter-related and mutually reinforcing strategic priorities that deliver and measure our performance are as follows:

Low-Cost Funding - CASA	Quality Asset Growth and Recoveries	Digital and Tech	n Drive	Rationa	lisation of Cost	Human Resource	Sustainable Profits
===	Centres 171 Ms 215 Ms 70		CD		100 3	Group structu Seylan Bank PL of its subsidiary Developments I December 2023	C held 70.51% / Seylan PLC as at 31

FINANCIAL HIGHLIGHTS

Setting new benchmarks of performance

	Bank			Group			
	2023 LKR '000	2022 LKR '000	Change %	2023 LKR '000	2022 LKR '000	Change %	
For the year			70			70	
Gross Income	116,773,303	96,817,975	20.61	116,835,833	96,834,024	20.66	
Profit before Income Tax	10,080,086	6,628,860	52.06	10,269,451	6,796,658	51.10	
Income Tax Expense	3,823,872	1,916,597	99.51	3,868,829	2,218,888	74.36	
Profit Attributable to Equity Holders of the Bank	6,256,214	4,712,263	32.76	6,321,116	4,574,359	38.19	
Other Comprehensive Income for the Year, Net of Tax	(26,598)	(2,724,398)	99.02	56,454	(2,746,463)	102.06	
Total Comprehensive Income Attributable to Equity Holders of the Bank	6,229,616	1,987,865	213.38	6,353,078	1,834,403	246.33	
Revenue to Government*	7,759,191	4,690,632	65.42	7,804,148	4,992,923	56.30	
Gross Dividend**	1,538,623	1,155,553	33.15	1,538,623	1,155,553	33.15	
At the Year End							
Total Equity Attributable to Equity Holders of the Bank	60,506,581	54,450,298	11.12	62,381,806	56,202,061	11.00	
Retained Earnings	34,846,140	31,063,994	12.18	35,540,973	31,697,936	12.12	
Customer Deposits	590,698,330	547,315,755	7.93	590,698,330	547,315,755	7.93	
Customer Loans and Advances	437,532,470	444,219,508	(1.51)	437,532,470	444,219,508	(1.51)	
Total Assets	717,985,435	672,805,644	6.72	717,993,290	672,835,176	6.71	
Information per Ordinary Share							
Basic/Diluted Earnings per Share (LKR)***	10.17	7.66	32.77	10.27	7.43	38.22	
Dividend per share (LKR)**	2.50	2.00	25.00	2.50	2.00	25.00	
Net Assets Value per Share (LKR)	98.31	94.24	4.32	101.36	97.27	4.20	
Market Value (LKR) - As at End of the Year							
Voting Shares	43.90	31.60	38.92				
Non-Voting Shares	35.50	16.20	119.14				
Statutory Ratios (%)							
Capital Adequacy							
Common Equity Tier 1 Capital Ratio (%)	12.52	10.69	17.12	12.86	10.97	17.23	
(Minimum Requirement - 7.00 %)							
Total Tier 1 Capital Ratio (%)	12.52	10.69	17.12	12.86	10.97	17.23	
(Minimum Requirement - 8.50 %)							
Total Capital Ratio (%)	15.84	13.59	16.56	16.18	13.87	16.65	
(Minimum Requirement - 12.50 %)							
Liquidity							
Statutory Liquid Assets Ratio (%)							
(Minimum Requirement - 20 %)							
- Overall	38.04	25.51	49.12				
- Domestic Banking Unit Operations	38.51	25.16	53.06				
- Foreign Currency Banking Unit Operations	23.28	25.02	(6.95)				
Liquidity Coverage Ratio (%)							
(Minimum Requirement - (2023 - 100 %, 2022 - 90 %)							
- Rupee	355.16	280.14	26.78				
- All Currency	338.42	175.10	93.27				
Other Ratios							
Price Earnings Ratio - Voting (Times)	4.32	4.13	4.60				
- Non-Voting (Times)	3.49	2.11	65.40				
Dividend Cover (Times) **	4.07	3.83	6.27				

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

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

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

KEY HISTORICAL MILESTONES

Our 35 year legacy of dedication and excellence

2013

- In our 25th Anniversary, we unveiled our multi – pronged corporate campaign "Beyond Just Banking" drawing strength from its four main tenets, Trust, Innovation, Service and Commitment which exemplified the spirit of our Bank
- Recorded a 17.15% growth in asset base to reach LKR 215 Bn
- Ranked among the "Business Today Top 25"
- Silver award (Banking Sector) and Bronze award for Overall Excellence in Financial Reporting - CA Sri Lanka Annual Report Awards
- Silver award Peoples Development Awards conducted by Sri Lanka Institute of Training & Development (SLITAD)

2014

- Added 6 branches to the network reaching a total of 157
- Introduced the first ever "Visa Multi Currency Travel Card"
- Ranked among the top 25 corporate entities in Sri Lanka
- Silver award Turn Around Brand of the Year (Seylan Tikiri) - SLIM Brand excellence awards
- Marketing Campaign of the Year (Seylan Sure) (Gold Award), Best Loyalty Programme (Seylan Sure)(Gold Award), Revitalized Brand of the Year (Seylan Tikiri) (Gold Award), Best use of Social Media in Marketing (Seylan Bank Facebook page and Digital Efforts) (Gold Award) - World Marketing Congress – Global Marketing Excellence Awards

2015

- The Bank's deposit base exceeded LKR 200 Bn
- Opened 25 Seylan "Pahasara Libraries" across the country to reach a total count of 80
- Achieved the 20th Position in the Best 25 Corporate Entities in Sri Lanka (Overall Bank)-Business Today Magazine
- The Global Banking and Finance Review 2015

 Awards of "Best SME Bank in Sri Lanka" and "Best Retail Bank in Sri Lanka"
- Bronze Award (Banking Sector) CA Sri Lanka Annual Report awards 2014
- Future of Digital Payment Forum 2015 -Award for Pioneering in Innovation for Seylan Pre-paid Multi-currency Travel Card

2016

- Bank surpassed its LKR 4 Bn PAT milestone
- Bank's asset base reached LKR 356 Bn
- Added 8 new branches to the network across
 the island
- 7 branches were converted to 365-day banking centres
- Total number of ATMs surpassed 200
- Innovative Launch Campaign of the Year (Seylan Website Launch) (Gold Award) and Best Use of Social Media in Marketing (Seylan Social Media) (Gold Award) - Global Marketing Excellence Awards
- Upgraded ATMs in line with global standards (the first Bank to have a fully EMV compliant ATM network in Sri Lanka)
- Ranked 17th among 30 Best Performing Corporates - Business Today Magazine

2017

- Opened 3 SME Hubs to expand SME lending
- Total assets surpassed the LKR 400 Bn milestone and total deposit base crossed LKR 300 Bn
- Successfully raised a long-term funding facility of USD 75 Mn from five globally recognised Development Finance Institutions (DFIs)
- "Pahasara Library" project surpassed the 150
 milestone
- Ranked 20th among 30 Best Performing Corporates - Business Today Magazine
- Bronze award (Banking Sector) CA Sri Lanka Annual Report Awards 2016
- Bank of the Year Excellence in Customer Convenience – Category B (Gold Award), Best Bank for Seamless Backend Operations (Gold Award), Bank of the Year for Financial Inclusivity Category B (Gold Award) and Overall Winner for Excellence in Interbank Transactions (Silver Award) - Lanka Clear Techno Vision Awards 2017



2018

- 30 years of service
- SME HUBs were increased to 12 covering different regions
- Implemented the Environmental and Social Management System (ESMS) policy and procedures
- Ranked as 11th among 30 Best Performing Corporates - Business Today Magazine
- Excellence in Branding and Marketing (The Winner), Best Campaign Innovation (The Winner), Campaign of the Year (The Winner), Excellence in Digital Marketing (The Winner) and Excellence in Cards and E-Payments (The Winner) - Golden Globe Tigers Awards

2019

- Bank's asset base reached LKR 500 Bn
- Bank raised equity capital through a rights issue of LKR 4.3 Bn
- "Pahasara Libraries" reached 200 covering all districts
- 1st Place Customer service excellence by LMD
- 17th among the top 30 companies in Sri Lanka by "Business Today"
- Best digital campaign in the Banking (Gold Award), Finance and Insurance category (Gold Award) - SLIM Digis 2018

2020

- Launch of Seylan RED Priority Banking Proposition
- The Bank's continuous focus on technology advancement and digitalisation strategy enabled us to overcome the many challenges posed by COVID-19
- Launch of Palmtop Banking across 50
 branches
- Ranked No. 01 in Customer Service by LMD for the second consecutive year in 2020
- Ranked 2nd among public listed companies for transparency, in corporate reporting by Transparency Global
- The Bank's Islamic Banking was able to secure the joint Gold Award for Deal of the Year 2019 at subsequently concluded Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards 2019 and Bronze for the same deal at the regional Islamic Finance Forum of South Asia (IFFSA) Awards 2020

2021

- Bank's equity base surpassed LKR 50 Bn
- Considered as the No.1 in Customer Service Excellence in the Banking sector for the third consecutive year by LMD
- National Sales Congress (NASCO) 8 NASCO
 Awards
- Focus on digital solutions so that staff Work from Home (WFH) is smooth and also facilitates providing our valued customers with good service remotely
- Enabled online and mobile app utility bill payment options
- Introduced Seylan Pay mobile application to facilitate cardless, touch-less QR based payments

2022

- The Bank's deposit base surpassed LKR
 500 Bn and the asset base reached LKR
 673 Bn
- Automation of the customer onboarding process using robotic process automation (RPA)
- Emerged as the only Sri Lankan bank to receive the Silver award at the Dragon Asia Awards under the category of social responsibility for its '#ResponsibleMe' campaign which was carried out during COVID-19 outbreak since March 2020
- Considered as the No.1 in Customer Service Excellence in the Banking sector for the fourth consecutive year by LMD
- Awarded Bronze at SLIM DIGIS 2.2 (2022) for National Day Initiative took place in 2021, awarded Silver at SLIM DIGIS 2.2 (2022) for '#ResponsibleMe' in the Best Digital Marketing Campaign in the CSR category and awarded Bronze at SLIM DIGIS 2.2 (2022) for '#ResponsibleMe' in the category of Best Use of Branded Content

HOW WE CREATE VALUE

Creating, sustaining and sharing value

We believe in an integrated approach to value creation - one that goes beyond financial metrics to encompass social, environmental, and economic dimensions. Our business model, as illustrated below, serves as the foundation upon which we build and execute our strategies, enabling us to create value for all stakeholders while remaining agile and adaptable in a dynamic market landscape.



WHAT

we deliver

Seylan Bank's core outputs are the products and services provided to its customers including, loans and advances, investments, deposits, forex products, remittance services, international trade related products and services, advisory services etc. We are committed to continuously improving our offerings to meet the changing needs of our customers and the world around us and ensuring a balanced approach to creating, preserving, and enhancing value, to drive sustainable growth.



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CHAIRMAN'S MESSAGE

Dear stakeholders,

Despite the challenges of 2023, I am pleased that Seylan Bank managed to deliver a strong performance and end the year on a promising note. We continued to invest for stability and long-term growth, in our brand and portfolio while simultaneously ensuring that employee engagement remained strong. I am happy to share that in 2023 we crossed significant milestones in terms of financial and operational performance despite being tested by a difficult global macro-economic environment as well as a turbulent local economic landscape. Comprehensive risk management, process simplification, prudent credit provisioning and cost reduction enabled us to maintain momentum and strengthen our foundation for future growth.

Creating value

This year, as in the previous one, we added new capabilities to our systems and strengthened our talent to support future growth. Managing our human resources was tough which was the case across the entire industry, with the exodus of talent in the country and thus, a concerted effort was made to enhance the wellbeing of our team during these difficult times. We continued to embark on our digital transformation strategy with the aim of excelling customer centricity and operational efficiency. We invested in future-ready digital solutions to meet the increasing demands of our customers which included the launch of Open API Banking, upgraded version of Internet Banking and relaunching a feature-rich SeylanPay payments application. We are of the view that digital progress needs to happen continuously and are constantly exploring ways to expand, interconnect and perfect these tools to deliver a more seamless, personalized experience for our clients.

The Bank's capital position remained strong throughout the year with all capital ratios maintained well above the regulatory minimum requirements. Bank also maintained comfortable liquidity buffers throughout the period.

Our sustainability roadmap

Our achievements are not simply limited to numbers or financial metrics. They are reflected in the lives we have touched, the communities we have empowered, and the positive change we have fostered. This year we launched the 'Sustainability Strategy' which outlines our sustainability ambitions and the Bank's contribution to the United Nations Sustainability Development Goals. I am encouraged by the commitment, energy and progress displayed by the team in terms of achieving the targets set out against the selected goals.

The impact of our services, technologies, solutions and social initiatives resonate in the lives of our stakeholders and in the advancement of our society. We remain committed to the growth and success of our team at Seylan Bank and continue to make investments in upskilling and reskilling, so that they can deliver the value our clients expect, while building successful careers.

Throughout 2023, our customers expressed a greater need for comprehensive and personalized financial advice than at any time in the past. We were relentless in helping our clients and continued to be there for them as their steadfast and trusted partner.

Integration of environmental, social and governance (ESG) considerations is one of our top priorities and we continued to look for innovative solutions for investors to support social and environmental change. As a responsible corporate citizen, we remain committed to continuous improvement in our ESG initiatives to drive meaningful change and build a more sustainable future.



Integration of environmental, social and governance (ESG) considerations is one of our top priorities and we continued to look for innovative solutions for investors to support social and environmental change. As a responsible corporate citizen, we remain committed to continuous improvement in our ESG initiatives to drive meaningful change and build a more sustainable future.

On the governance front, we continued to strengthen our framework and update our policies and procedures to ensure they align with evolving regulatory requirements and global best practices. We invested in systems and processes to enhance our risk management capabilities and compliance requirements in order to safeguard our operations, protect sensitive information and maintain the trust of our stakeholders.

Board changes

I am thankful for the significant contribution and dedicated service made to the Bank over the past 12 years by Mr. Kapila Ariyaratne, former Director/Chief Executive Officer who retired from the Board on April 30, 2023. His outstanding leadership and commitment steered Seylan Bank through demanding and challenging years.

My appreciation is extended to Mr.Anushka Wijesinha, Senior Director who had to resign from our Board in September 2023, on being appointed to the Governing Board of the Central Bank of Sri Lanka. He was a source of strength to the Board bringing in invaluable contributions especially through sub committees he chaired.

We were deeply saddened by the demise of Mr. Ravi Abeysuriya, Independent, Non-executive director in October 2023. Mr.Abesuriya's contribution and vision were invaluable to the Bank over the past five years.

During the year, Mr.Ramesh Jayasekara assumed duties as Director/CEO of the Bank in line with the Bank's succession plan. Mr.Jayasekara's all-round banking experience locally as well as overseas, especially the positions he held within our Bank over the last twelve years heading important divisions had prepared him to take charge as the Chief Executive Officer. I am confident that he would lead the Bank to greater heights in the future.

Appreciations

In a year marked by many challenges, the resilience and dedication displayed by our corporate management led by the Director/Chief Executive Officer as well as the entire Seylan Bank team has been truly remarkable. It is with great pride that I acknowledge the collective efforts that have propelled us forward, to overcome obstacles and achieve significant milestones.

I am grateful for the guidance and strategic vision provided by our Board of Directors to steer the Bank in the right direction. I also take this opportunity to thank the shareholders, the customers and all other stakeholders for their cooperation and shared commitment during these challenging times. I would also like to express my appreciation to the officials of the Central Bank of Sri Lanka, for the support extended during the year.

Closing thoughts

In most aspects, we ended the year at a significantly improved position. We are stronger operationally and are taking a more futuristic approach to banking. We have a growth mindset, and the right organizational structure and talent, giving us the resilience for long-term success. While we take pride in our achievements, we also remain mindful of the challenges that lie ahead. I am confident that the spirit of collaboration and the commitment to excellence will continue to drive us forward, ensuring that Seylan Bank maintains stability and excellence in the years to come.

W M R S Dias Chairman

20 February 2024



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CHIEF EXECUTIVE OFFICER'S REVIEW

This has been a year of significant milestones, with major achievements in all areas namely profitability, liquidity, capital and asset quality. 2023 marked our 35th anniversary, and coinciding with this historic milestone, we positioned ourselves as a stronger bank and consistently delivered on our promises to all our stakeholders. With a sound strategy we were able to navigate the external challenges with precision, demonstrating our true potential and ambition to drive positive change.

Refreshing our strategy

During the year major efforts went into reformulating our corporate strategy to deliver better performance for our stakeholders. We set ourselves ambitious performance targets and identified three key areas for development in 2023 - digitalisation, recoveries and staff engagement.

With the proliferation of digital technologies, digital banking trends are reshaping the industry. We prioritized the opportunities to harness the power of emerging technologies and aimed to significantly increase our digital penetration. From streamlined internal processes to enhanced customer experiences, our digital journey has touched every aspect of our operations. During the year, our online banking channels were revamped, allowing us to provide a better service, facilitate a higher volume of customer on-boarding, and handle of a greater number of transactions. The launch of Open API banking has also strengthened the Bank's ability to integrate with third parties thereby leading to increased adoption of digital banking services.

Strengthening our recovery process and capacity continued to be a critical concern and greater emphasis was placed on establishing efficient recovery strategies to support the bottom line. Recovery Officers (ROs) were extended to branch level, where we placed ROs across 50 branches during the year with plans to further expand the coverage in 2024. This facilitated better communication between the Bank and customers and we were able to resolve customer concerns with greater efficiency.

Open and transparent communication is fundamental to building trust within our organisation and we initiated several mechanisms to strengthen our communication channels. Staff town-hall meetings were held across the network to encourage and facilitate two-way communication. This commitment to transparency has fostered a sense of shared purpose and alignment with organisational goals. We also believe in acknowledging the hard work and dedication of our employees and introduced thanking days which has been instrumental in creating a culture of appreciation and mutual respect.

Acknowledging the importance of identifying talent and making sure we retained our staff, we introduced the fast-track programme for staff promotions to reward top performers. Furthermore, we invested in leadership development programmes to equip our managers with the skills needed to lead with empathy, inspire their teams, and drive positive change.

It is commendable to note that we were able to record visible progress across key pillars achieving all KPIs we had set ourselves at the start of 2023. This goes without saying that by working together, we have been able to overcome obstacles, capitalize on diverse skills and create positive, impactful change.

Delivering strong financial performance

Our net interest income remained constant at LKR 40.1 Bn compared to LKR 40.5 Bn in 2022, in spite of NIM's contracting during the year. Our net fee and commission income grew by 15.76%. Net profit after tax reached LKR 6.26 Bn, the highest in our 35-year history.

The Bank has been recognized by World Economic Magazine as the best customer care bank in Sri Lanka for 2023 which stands as a testament to the consistent efforts directed towards customer excellence.

LKR **10.08** Bn Profit before tax

(2022: LKR 6.63 Bn)

Profit after tax (2022: LKR 4.71 Bn)

LKR 717.98 Bn

Total assets (2022: LKR 672.8 Bn)

LKR 98.31 Net asset value per share (2022: LKR 94.24)

LKR 590.70 Bn Total deposits (2022: LKR 547.31 Bn)

While the banking sector loans and advances portfolio shrank during 2023, Seylan Bank managed to record a growth of 1.38%, with the gross portfolio amounting to LKR 497.2 Bn at the close of the year. Corporate lending contributed primarily towards this growth. We remained mindful of the importance of supporting the SME sector as they were the most vulnerable and renewed our efforts to manage their business. We focused mainly on supporting SMEs in stressed conditions without burdening them with costly debt and more intensive work went into reviewing portfolios and rescheduling their facilities.

On the funding side, current and savings accounts (CASA) growth remained our top priority in 2023. Deposits increased by LKR 43.4 Bn, reflecting the trust and confidence placed in the Bank by customers.

Liquid assets comprising of cash and bank balances increased by 57.78% reflecting our commitment to strengthen and optimise liquidity while the statutory liquid asset ratio stood at 38.04%, well above the regulatory requirement of 20%. Shareholders' equity increased by 11.12% while capitalisation levels remained healthy with Tier 1 and Total Capital Adequacy ratios reaching 12.52% and 15.84% respectively by 31 December 2023.

The Bank's profit of LKR 6.26 Bn, Statutory Liquid Asset Ratio of 38.04% and Total Capital Adequacy of 15.84% are some of the best achieved in the 35 year history of the Bank. These developments reflect the commitment of our team to persevere amidst challenges and we are truly proud of these achievements.

Driving customer excellence

Realising our mission and vision demands a dedication to excellence in the way we work and interact with our customers. As part of our customer experience augmentation strategy, we continued to expand customer digital interfaces to enable customers to handle their transactions more independently and conveniently. The Bank has been recognized by World Economic Magazine as the best customer care bank in Sri Lanka for 2023 which stands as a testament to the consistent efforts directed towards customer excellence.

Work is also underway to launch a touch screen customer feedback system, that allows us to instantly capture customer satisfaction or dissatisfaction levels. This will enable us to achieve faster issue resolution and proactively improve customer experience.

We also continued our efforts to strengthen customer engagement through social media and emerged as the first bank in Sri Lanka to reach one million followers on Facebook.

Advancing sustainability

During 2023, we made strong progress on our sustainability front. Our strategic sustainability roadmap which came into

CHIEF EXECUTIVE OFFICER'S REVIEW

force during the year takes a 360° view on sustainability and is an ambitious plan that focuses on the areas that the Bank can make the most meaningful contribution. Education continues to be one of the primary elements in our corporate social responsibility agenda and this year we opened the 225th library under the "Seylan Pahasara" initiative. This initiative which began a decade ago has provided equitable access to reading materials to over 100,000 students across 24 districts in Sri Lanka.

We also recognise that climate change is a defining issue of our generation that requires swift, collective action and are committed to meeting our own goals while enabling others to do the same. That means taking responsibility for our operational footprint and accelerating progress through technology. We have adopted several measures to reduce our carbon footprint and make sure our processes support paperless customer-friendly banking. Most of the bank internal workflows are now paperless. We also have expanded our green lending portfolio to LKR 8.8 Bn in 2023. Underpinning it all, we're continuously pushing ourselves to do more to create a workplace and society that is better for everyone.

> No. of "Seylan Pahasara" Libraries

LKR **8.8** Bn Green Lending Portfolio

81 No. of Internal Paperless Workflows

Way forward

We see the economy moving towards a more positive trajectory and we now need to start looking at consistent and sustainable growth. With the expected rise in demand for private sector credit, we will be looking at supporting existing customers to achieve greater heights, while simultaneously attracting new to bank customers. The recent removal of import restrictions is also likely to add positive signals to create demand and supply while reactivating manufacturing and trading sectors.

We will build on the progress we made over the last few years and continue to invest in more digital customer experiences, our technology, our people and culture. Among other areas, CASA growth, fee income as well as automation and Artificial Intelligence (AI) will be our top priorities for 2024, as we reinforce our commitment to creating longterm value for our stakeholders.

Appreciations

I am proud of the strong all round performance Seylan Bank has delivered during 2023 and the value we have created for our stakeholders. I would like to recognise the hard work and commitment of the leadership team and all our staff who delivered these results and were the driving force behind our success. My appreciation goes out to the Chairman and the Board of Directors who guided our strategy and provided objective oversight during a challenging year.

I extend my appreciation to our former Director/CEO Mr. Kapila Ariyaratne who lead the bank for over a decade with commitment and dedication. I am also grateful to Mr. Anushka Wijesinha, Senior Independent Director, whose expertise has been instrumental in steering us through both challenges and triumphs. As I mourn the loss of Independent Director Mr. Ravi Abeysuriya, I acknowledge the legacy he leaves behind with his valuable leadership, wisdom, and unwavering dedication to our Bank.

I also extend my thanks to the Governor and officials of the Central Bank of Sri Lanka for their continued support.

Finally, I take this opportunity to thank our valued customers, shareholders, business partners and other stakeholders for their continued loyalty and look forward to their support and partnership in the coming year.

Thank you for being a part of our 35-year story.

Ramesh Jayasekara Director/ Chief Executive Officer

20 February 2024

OUR OPERATING ENVIRONMENT

The context to our performance

Global context

The global economy has shown remarkable resilience as it continues to recover from the blows of the pandemic, Russia's invasion of Ukraine and inflation induced cost-of-living crisis. Global growth has slowed down due to geopolitical tensions leading to the disruption in energy and food markets, and the unprecedented tightening of global monetary conditions to combat decades - high inflation.

Despite growth remaining slow and uneven, global activity has bottomed out at the end of last year while inflation is gradually being brought under control. However, a full recovery towards pre-pandemic trends appears increasingly difficult, especially in emerging markets and developing economies.

Inflation continues to recede as Central Banks maintain a tight stance, on its Monetary policy. However, inflation could fall faster than expected, reducing the need for tight monetary policy, and domestic demand could again prove more resilient.

Core inflation with regard to more volatile energy and food prices still persists, but inflation has showed improvement with overall measures decreasing in most countries. A fall in energy prices and - to a lesser extent - in food prices has driven the decline in headline inflation. Crude oil prices also declined during 2023, on the back of lower global demand partly driven by tighter global monetary policy.

In China, the pandemic-related slowdown and the property sector crisis, contributed to larger output losses compared with prepandemic predictions. Emerging markets and developing economies, especially low-income countries have seen even weaker recoveries. Higher interest rates and depreciated currencies have worsened the difficulties of low-income countries, placing more than half at either high risk of distress and already in distress.

On a positive note, as the World Health Organization announced that Covid-19 is no longer considered a global health emergency, supply chains which the pandemic disrupted have largely normalized.

According to the World Economic Outlook, global economic growth is projected at 3.1 percent in 2024 which is same as 2023 estimate. The projection is below historical standards, as the fight against inflation, Russia's war on Ukraine, and the Israel Palestine conflict weighs heavily on activity. Despite these headwinds, the outlook looks less gloomy for the coming year, and could represent a turning point, with growth bottoming out, and inflation declining.

For advanced economies a modest slowdown is anticipated with a decline from 1.6 percent in 2023 to 1.5 percent in 2024. For emerging markets and developing economies although there was a modest decline, growth is expected to rise modestly during this year and next.

The third quarter of last year signified economic growth that was surprisingly resilient, with strong labour markets, robust household consumption and business investment, and better-than expected adaption to the energy crisis in Europe.

Despite signs of economic resilience seen earlier this year, overall economic activity is still falling short of pre-pandemic projections, particularly in the emerging markets and developing economies. The US has seen the strongest recovery, among major economies. The Euro area has recovered less robustly with output still below pre-pandemic projections, influenced by greater exposure to war in Ukraine and rising energy prices.

Emerging markets and developing economies face profound implications - a much slower convergence towards the living standards of advanced economies, reduced fiscal space, increased debt vulnerability, and exposure to shocks, and diminished opportunities to overcome the scaring from the pandemic and war. Furthermore, the persistent strengthening of the US dollar, amidst the rising interest rates in the US poses debt repayment challenges to dollar borrowers whose reserve positions are weak.

The global economic outlook remains optimistic, with stronger growth and lower inflation than expected suggesting the global economy is headed in the right direction. 16

OUR OPERATING ENVIRONMENT

Local context

Economic and market overview

The Sri Lankan economy, after an extremely challenging period of turbulence in 2022, has shown resilience and stability on many economic fronts, due to the timely implementation of proper macroeconomic policies including measures to implement long-overdue structural reforms.

The Sri Lankan rupee appreciated against the US dollar, while it also saw an appreciation against the Euro, the Pound Sterling, the Japanese Yen, the Indian Rupee, and the Australian Dollar during the year 2023.

Colombo Consumer Price Index (CCPI) based headline inflation (year-on-year) was 51.7 in January 2023 and which was moderated to 4.0 percent in December 2023 (CCPI, 2021=100). Although the pace of deceleration was slower in the first quarter of 2023, headline inflation declined sharply from April 2023 onwards.

The Headline inflation, as measured by the year-on-year change in the National Consumer Price Index (NCPI) followed a decreasing trend from a peak level of 53.6 percent since February 2023 (NCPI, 2021=100) to 0.8 percent by September (NCPI, 2021=100), and a modest increase to 4.2 percent in December 2023 (NCPI, 2021=100). According to the baseline forecast, headline inflation is projected to dip in the near term, and then stabilize over the medium term. Core inflation is also following a disinflationary trend although at a relatively slow pace. This decline of inflation was due to the impact of stringent monetary policy and fiscal conditions, the gradual easing of supply-side disruptions, and the easing of global price pressures, along with the favorable base effect.

Potential downside risk that could affect growth projection in the near to medium term include the weaker demand for the export sector, labour shortages and low productivity resulting from significant professional and skilled migration, and possible weather anomalies.

Sri Lanka's 2024 budget aim to sustain an IMF-led bailout by increasing revenue through tax raises, with a projected total tax revenue at 4.1 trillion rupees, mostly from the indirect tax receipts. The budget success depends on navigating the demands for financial stability and economic recovery. Its proposed measures seek to steer the slowed down economy towards growth and catalyze an economic revival.

The Sri Lankan economy is anticipated to stabilize with improving external sector conditions, increase in earnings from tourism, and improvement in domestic economic activity which will generate more credit to productive sectors of the economy. The external sector, which suffered a significant setback in the previous year, has seen signs of stability, resulting from improved foreign exchange inflows, and balance of payment position which has strengthened the Sri Lankan Rupee. Domestic economic activity is expected to rebound, in the near term, as a result of the easing of monetary conditions and growth supportive policies implemented by the government. Although economic growth is expected to remain moderated over the short term, it is expected to recover gradually towards its potential.

Opportunities

- Lending opportunities across business lines in local manufacturing, exports and import substitution
- Engage with regulatory authorities proactively to give input for policymaking and regulation development

Risks

- Rising inflationary pressures and adverse impacts on operating costs
- Greater pressure on credit quality
- · Lack of credit demand due to weakened economic conditions

How we are responding

- We continue to focus on revenue growth, with more emphasis on worker remittances and the 'export book', the primary source of foreign exchange. We launched an "Export Expert" campaign to onboard new export clients and increased our focus on worker remittances as a crucial source of foreign currency
- Complying with the contingency plans and policies which are crucial and strive to remain agile and adjust to evolving circumstances
- Contribution towards the Government and Central Bank efforts to achieve financial system stability

Social challenges

The country faces ongoing issues of poverty, exacerbated by factors such as food inflation, loss of employment and a decline in remittances. Sri Lanka's brain drain, has led to high staff-turnover, resulting in a lack of specialized skills.

Opportunities

- Expand and strengthen our social impact
- Embracing more flexible ways of working
- Partnerships and collaborations with agencies to build social resilience

Risks

Operate in a volatile socio-economic environment

Increasing risks of cyber-attacks and financial crime

Shortage in skilled labour with increasing levels of migrants

How we are responding

- In the face of digital transformation, socioeconomic dynamics, and new working models, we are compelled as a financial organization to rethink our people, practices, and processes. To enhance our operational efficiency, we have introduced an operational excellence program which involves training, certifying our employees in Lean 6 Sigma, aiming to improve workplace efficiencies and minimize wastage
- Implementing internships, fixed-term contracts, and outsourcing to meet our skill requirements
- Supporting our employees by offering them relief benefits and flexible working options amid economic difficulties

Technological advancement

Technological disruption in banking is reshaping the industry, challenging traditional business models, and driving innovation at an unprecedented pace. Banks are increasingly embracing digital transformation, adopting agile methodologies, and collaborating with fintech partners to stay competitive, meet evolving customer needs, and seize opportunities for growth and differentiation. Furthermore, there is a rise, evidently in major social networking platforms, such as WhatsApp, Facebook, Instagram, Messenger and Linkedln, contributing to an expanding online presence. However, the rapid shift to digital banking has heightened cybersecurity risks, prompting banks to strengthen their cybersecurity and invest in advanced threat detection and prevention technologies.

Risks

Opportunities

- · Leverage and manage technology and innovation
- Enhancing client experience
- Increasing digital penetration
- Strengthen the security features

How we are responding

- We prioritized on automation to improve operational efficiency, implementing automated processes and workflow solutions, particularly in
 areas such as account opening. This strategy aims to deliver faster and more efficient services to customers
- We have implemented digitization both internally, by automating back-end operations, and externally by digital channels like internet banking and mobile apps - for an improved customer experience
- We are continuously focusing on boosting the adoption of digital channels, converting clients from manual counter banking to digital platforms, enhancing the speed of processes, increasing efficiency, and reducing associated costs as part of our digitization initiative



OUR OPERATING ENVIRONMENT

Environmental concerns

The rapid pace of human development is taking a toll on the environment. Sri Lanka's warm temperature, unique hydrological regime, and exposure to extreme climate events, make it vulnerable to climate change. There is increasing pressure to address critical environmental issues facing the country today. For banks, this includes emphasis on sustainable lending, emissions reduction strategies and climate adaptation and mitigation.

Risks

Opportunities

- Strengthen our environmental stewardship
- Implement green financing schemes and sustainable investments

 Increasing risks of climate change on key sectors including agriculture, power and energy and tourism

· Operational disruptions due to climate risks

Innovations in financial products

How we are responding

- To ensure that sustainability principles are deeply embedded into our strategy, Seylan Bank Sustainability Plan has been developed and is now in action
- Our business continuity plan addresses emergency preparedness in the face of a disaster. Our operations have multiple disaster recovery sites and our IT recovery site is equipped with standby servers

Legal developments

The Bank operates in a highly regulated environment where new bills, legal precedents and regulatory requirements are introduced frequently to safeguard the stability and sustainability of the financial sector.

Opportunities

 Increasing regulatory emphasis on ESG considerations creates opportunities to develop and promote sustainable financial products

Risks

Rising cost of compliance with new regulatory requirements

How we are responding

- We are committed to preventing financial crime and fulfill regulatory requirements to address anti-money laundering concerns, hence we
 have introduced the 'Compass' compliance management software in our internal banking systems
- We are committed to adopting the new financial consumer protection regulations mandated by the Central Bank of Sri Lanka and plan to implement the new protection framework
- As a Licensed Bank in Sri Lanka, we will comply with the Banking (Special Provisions) Act No. 17 of 2023 to ensure the interests of the depositors and creditors, and to ensure overall financial system stability



Banking sector in Sri Lanka

In the face of recent multifaceted challenges and unprecedented level of stress on the banking sector due to the pandemic and adverse macroeconomic developments, the Sri Lankan banking sector remained resilient. The Banking sector was able to maintain its stability, even amid challenges arising from continuously declining credit quality, interest rates and Forex volatility and deteriorating capital buffers to absorb losses.

Despite the money market and the equity market recording a dismal performance in 2022, a modest improvement was observed during early 2023, with the gradual easing of liquidity pressures in the foreign exchange and money markets and gradual stability of rates, supported by market confidence with the approval of the Extended Fund Facility from the International Monetary Fund (IMF) in March 2023.

In compliance with prudential requirements of the Central Bank, the banking sector managed to maintain its stability with adequate capital and liquidity buffers amid challenges emerging from contraction of credit growth and non-performing loans. Despite liquidity stresses observed in certain domestic banks, the banking sector was able to operate with liquid assets above the minimum regulatory requirement.

The banking sector expansion was largely funded by deposits. However, the growth in borrowings continued to decrease as a result of the decline of foreign currency borrowings.

Although the banking sector in Sri Lanka continued to dominate the financial sector, the credit growth of the banking sector slowed down, in line with the stringent monetary policy and challenging macroeconomic conditions. However, while the tightening monetary policy led to a decline in year-on-year growth of loan and advances, an increase in the growth of investments were observed during the period. Despite the challenges arising from macro-economic developments and challenges in the operating environment the banking sector continued to operate with acceptable levels of capital and impairment coverage ratios and remain resilient.

The government along with the Central Bank have taken efforts to ensure financial system stability. A new law was brought forth as the Banking (Special Provision) Act No. 17 of 2023, to provide the Central Bank with the authority to implement resolution measures in an instance where a Licensed Bank is subject to capital, liquidity, insolvency or any other risk in a timely manner, to ensure the interests of the depositors and creditors, and to ensure overall financial system stability.

Several measures were taken to promote digital payments and to develop the national payment infrastructure in Sri Lanka. In 2022, the Central Bank launched the National Remittance Mobile Application, 'Lanka Remit', as a way to encourage contact-less digital payments. The retail payment system and instruments have recorded growth in volumes and value depicting the adoption of digital payment methods. Credit and debit card transactions continued to increase as the public adopted non-cash methods for purchases of goods and services.

As the economy embarks on banking sector credit is expected to expand in 2024 and the Central Bank remains committed to monitor macro prudential developments and implement necessary policies to mitigate systemic risks and ensure stability.

LISTENING AND RESPONDING TO OUR STAKEHOLDERS

Aligning aspirations with our stakeholders

Stakeholder engagement is a catalyst tool in understanding the dynamics of related stakeholders and exploring opportunities locally, regionally and globally. We strive to maintain open and constructive relationships with a wide range of stakeholders including investors, customers, employees, suppliers and the community through numerous deliberations and communique. We leverage our experiences of the past and present to shape a resilient future for everyone, leaving no one behind, and aim to understand the diverse needs of stakeholders to facilitate more rational decision making. Our engagement during the year took many forms, including one-on-one engagement sessions using online channels and telephone calls, written responses and targeted surveys. These engagements, and the issues that underpin them, help to build a future ready business model with a sustainable trajectory in every mean.

Investors

Matters relevant to the stakeholder

- Developing a Basel III compliant capital structure with additional cyclical buffers and surcharges as possible
- Establishing an ESG compliant and climate resilient transformative business model
- Implementation of the Sustainability Strategy across the Bank
- Triple bottom line growth momentum with better stakeholder engagements
- Future readiness across the value chain through various risk management measures

Our response

- Explore potential business calls in growth management of core books and recovery drives with integrated risk mitigation, while also paying attention to off balance sheet items
- Digital penetration towards making transformative banking solutions
- Close link and sync with Business in operationalizing effective Environmental and Social (E & S) management system together with customer dialogue for closing gaps in E & S risk management
- Screening of supplier relations for leveraging industry best standards and best procurement practices locally and globally including environmental and social due diligence

Engagement channels

Mechanism	Frequency
Annual Reports and AGMs	A
Interim Financial Statements	Q
Extraordinary General Meetings	WR
Investor forums, CSE notices, Press articles, surveys and other	WR
One-to-one meetings	WR
Corporate website and feedback	R

- Financial capitalpage
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Im
 - ROA and ROE stood firm recording a net profit of LKR 6.26 Bn
 - The Sustainability Strategy was developed in alignment with the Corporate Strategy overarching 11 Sustainable Development Goals addressing investor perspectives of transforming the Bank with digital penetration

Customers

Matters relevant to the stakeholder

- A business model that embraces inclusive finance
- Financial literacy as a key for unveiling mutually potential business opportunities across the island
- Ethical financing with better customer engagement and feedback
- Heightening of data and cyber security with a view to seize sophisticated cyber attacks
- Catering to rapidly changing customer behaviour with the use of digital tools together with Al
- Robust grievance handling mechanisms
- Enable well-informed and independent financial decision making at all times

Our response

- Continuous dialogue to explain and simplify financial products and services eliminating complexities if any
- Amicably educate customers on Environmental and Social (E&S) risks through the Environmental and Social Management System (ESMS) as a soft-sell approach
- Make digital offerings more user-friendly, while enhancing proximity to formal financial channels through education
- Use of science and evidence-based research for better dealing with changed customer behaviour
- Town storming sessions to take appropriate remedial measures
- Review of policies, procedures and code of conduct with remedies to factor volatile customer behaviour
- Staff training as a catalyst for ensuring delivery of high level of service quality standards together with exceptional traits
- Adherence to customer due diligence protocols and customer charter while strengthening internal control measures, code of conduct and other controls backed by policies, procedures, industry best standards and practices

Engagement channels

Mechanism	Frequency
Enhanced virtual media and safe day- to-day dialogue at the branches	R
Email	R
Customer surveys and other interactions	R
Customer gatherings across branch network	R
Feedback via Annual reports	R
Media advertisements and other forms of communiqué	WR



Quality of relationship - Strong

- The Bank won Digis and Dragons awards during the year demonstrating supreme customer service.
- Score of 80.66% at annual mystery shopper survey.
- Growth in our social media footprint as shown in Intellectual Capital section.

LISTENING AND RESPONDING TO OUR STAKEHOLDERS

Employees

Matters relevant to the stakeholder

- Promote work-life balance for better productivity
- Inculcate a learning culture and better coordination for sustainable growth in human capital
- Promote health and safety standards, industry best local and global practices
- Diversity and gender equality including fair pay
- Freedom of association and collective bargaining power
- Sense of ownership and belongingness
- Boost happiness index as a measure of supreme customer service frontier

Our response

- Determine training needs and grey areas in learning through audit trails, performance evaluations and various other staff engagement platforms
- Town storming sessions to determine remedial measures to be taken while revisiting policies and procedures also appreciating feedback from staff
- Manage gender equality together with recruitments channelled from regional areas with zero discrimination
- Encourage employees to share views and ideas with the management and develop a close interaction
- Grievance handing mechanism strengthened with better engagement

Engagement channels

Mechanism	Frequency
Internal and external training programmes and e-learning opportunities	R
Performance and appraisal review discussions	R BA
Treatment of all employees impartially and equally	R
Trade union discussions	WR
Communication of values	
through leading by example	WR
Communication with employees including satisfaction surveys, newsletter, and the intranet Town Hall meetings	R



Quality of relationship - Strong

- Successful deliberations took place on collective agreements on staff compensation and fringe benefits. 72% overall staff satisfaction survey result.
- Town hall meetings were held where staff members voiced their concerns and the engagements created a sense of ownership for the Bank.

Suppliers and business partners

Matters relevant to the stakeholder

- Commitment, capacity and track records in E&S risk management with mitigation and adaptation
- Green and local and global industry best procurement practices
- ESG compliance and guality assurance by verified third parties
- Foster steadfast and long-term business relationship
- Promote local materials curbing heavy dependence on imports

Our response

- Improve the tender and procurement process with more preference given to local suppliers together with the service quality assurance
- Educate on the importance of mitigating E&S risks as a future potential attribute to access foreign funding lines availed from the developed countries
- Promote affiliations for synergy and ripple effect
- Maintenance of supply with Economic Order Quantity (EOQ) and buffer stocks

Engagement channels

Mechanism	Frequency
Onsite visits and meetings, advertisements, and press releases	R
Tender invitations	WR
Registration of suitable suppliers and delivery of quality products and services	WR
Bank product development and approval process	WR



Quality of relationship - Strong

capital

More local suppliers were contracted with better long-term deals.

Social and relationship

page

54-64

- Maintained ties with 100 suppliers who have been engaging with us for over 10 years.
- 22 foreign bank relationships lasting more than 15 years.

😓 Community

Matters relevant to the stakeholder

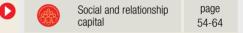
- Voiceless community's proximity to formal channels and empower them to be effective and contributory financial participants popping up from microeconomic cross layers
- Addressing the needs and wants of the social circles through various philanthropic and sustainability initiatives
- Promote technological savviness as means of influencing future employability
- Purpose driven CSR initiatives and sustainability to conquer needs of the hour

Our response

- Implementation of the Sustainability Strategy overarching Sustainable
 Development Goals and nationally determined contributions shedding light
 to communal benefits
- Intensify "education" and "community" centric CSR initiatives to unlock potential future for the needy
- Business connected sponsorships, philanthropy and various other community engagements in support of collective efforts
- Remain focused for seizing opportunities on sustainable collaborations and partnerships
- Ensure readiness by way of building up the infrastructure requirements and prerequisites to attract foreign funding lines that are aimed at marginal communities via green and sustainable avenues

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Mechanism	Frequency
One-on-one discussions	WR
Internet Banking, e-wallet, and various other virtual service delivery interfaces	R
Environmental and Social Management System across the Bank	R
Promoting SLBA SBI principles	R
Targeted investments in projects and community sponsorships	WR



Quality of relationship - Strong

- 10 women and youth focused SME capacity and financial literacy building programmes were conducted across 8 districts.
- MOU documented to support the education frontier of the Blind School in Ratmalana.
- Completed 06 Seylan Pahasara libraries to strike the 225 mark.

💶 – Annually 📴 – Bi-annually 💷 – Quarterly 🐨 – As and when required 🔳 - Regularly

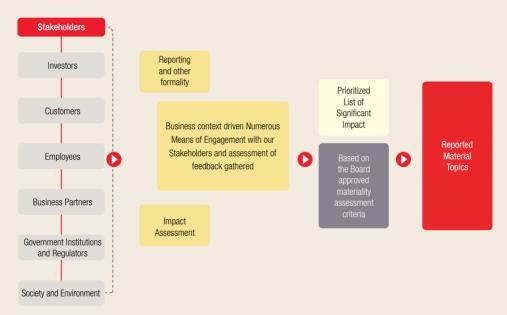
MATERIALITY

Prioritising issues key to value creation

The Bank's material topics refer to those which represent the most significant impacts on the social circles within which we operate our business of banking and the natural environment and how these would result in creating potential value over the short, medium and long term for our stakeholders. We adopt the principle of materiality to categorise topics for disclosure as it is also integrated into our ESG strategy.

How we assess materiality

Our continuous engagements with stakeholders through numerous means of communication allow us to gather factual information around their expectations and concerns. Identifying each impact occurring within and outside the Bank, our materiality assessment process is conducted with the aim of making suitable business calls and thereby negating or mitigating detrimental impacts if any. In a backdrop of transformative sustainability, we map out information compiled across the impact to both the Bank and the respective stakeholder, and the probability of occurrence accordingly. This aids us to determine material matters and disclosures, while staying abreast with our approved materiality statement.



Material issues impacting stakeholders in 2023

Material issue	Impact					Relevant
	Stakeholder	Bank	SDG No.*	Section	Our response	GRI
Economic						
Economic performance	H	H	1,6	Financial capital	page 37-43	201 - 1,3,4
Market presence	H	H	2	Our branch footprint	page 45	202 - 1,2
Indirect economic impact	H	М	6	Value added statement	page 42	203 - 1,2
Social						
Employment	H	H	5	Human capital	page 46-53	401 - 1,2,3
Labour/management relations	H	H	5	Human capital	page 52	402 - 1
Occupational health and safety	H	H	5	Health and well-being	page 50	403 - 1
Training and education	H	H	5	Employee development	page 48	404 - 1,2
Diversity and equal opportunity	H	H	5	Diversity & inclusion	page 50-51	405 - 1,2
Non-discrimination	H	H	5	Grievance handling & whistle blowing	page 52	406 - 1

Material issue	Impact					Relevant GRI
	Stakeholder Bank		SDG No.*	Section	Our response	
Freedom of association and collective bargaining power	H	H	5	Freedom of association and collective bargaining	page 52	407 - 1
Child labour	H	H	5	Banks human right policy	page 52	408 - 1
Customer health and safety	H	H	5	Helping when it matters most	page 55	416 - 1
Marketing and labelling	H	H	2	Product labelling and marketing communications	page 56	417 - 3
Customer privacy	H	H	2	Customer privacy	page 56	418 - 1
Anti-corruption	H	H	5	Anti-corruption	page 52	205 - 1,2
Compliance with Laws and Regulations	H	H	6	Table on compliance of level/ status of compliance	page 64	2-27
Local communities	H	М	2	Building community resilience	page 60	413 - 1
Procurement practices	H	М	4	Supplier evaluation & procurement process	page 58	204 - 1
Anti-competitive behaviour	H	М	1,2	Table on compliance of level/ status of compliance	page 64	206 - 1
Forced or compulsory labour	М	М	5	Grievance handling & whistle blowing	page 52	409 - 1
Security practices	М	М	5	Paragraph above "performance management"	page 49	410 - 1
Rights of indigenous people	L	L	5	Not reported	-	411
Human rights assessments	L		5	The bank's human right policy	page 52	2 - 23
Supplier social assessment	L	L	6	Supplier evaluation & procurement process	page 58	414
Public policy			6	Table on compliance of level/ status of compliance	page 64	415
Environmental						
Energy	H	М	6	Energy consumption	page 70	302 - 1,4
Water	Μ	М	6	Water management	page 70	303 - 1
Environmental compliance	М	М	6	Environmental & social governance	page 70	G2 - 27
Effluent and waste	Μ		4, 6	Waste management	page 71	306 - 2
Materials	Μ		3, 6	Environment section	page 75	301
Bio-diversity	М		6	Protecting biodiversity	page 73	304
Emissions	Μ	L	6	Emissions management	page 70	305
Supplier environment assessment	М	L	6	Supplier evaluation & procurement process	page 58	308

*Linked to Bank's sustainability strategy

The following changes in materiality were identified during 2023

Triple bottom-	Substance	Gravity of impa	impact 2023 Gravity of impact 2022		Reason	
line		Stakeholder	Bank	Stakeholder	Bank	-
Environment	Energy	H	H	H	М	Price hikes in fuel and electricity
	Materials	М	М	M		Price hike in paper

Assessing business impact together with the environmental footprint, following due diligence is exercised as a management response to strike the balance.

- Curtail business travel and streamline the process of transporting goods as well as staff commuting as means of conserving fuel as much as possible
- Creating awareness among drivers and servicing vehicles periodically to manage fuel efficiency
- Reduce the use of paper through digital developments and various other best practices highlighted throughout this report

OUR STRATEGY Defining our blueprint for the future

The Strategic Plan for 2023-2024 has been internally developed by the Bank as a continuation to Seylan Bank Strategic Plan 2021-2023. The Bank Strategy for 2023-2024 mainly covers the following six strategic pillars.

6. Sustainable Profits

Aim to lower the Bank's funding costs

and provide stable funding

- Low-Cost Funding CASA 1.
- 2. Quality Asset Growth and Recoveries
- 3. Digital and Tech Drive
- Rationalisation of Cost 4
- Human Resource 5.

We follow a stringent review process to ensure the initiatives of the Strategic Plan have been implemented as planned. The Director/CEO conducts monthly review meetings with the Corporate and Executive Management and reviews the achievements against the Strategic Plan, emphasizes the

necessary actions for the remainder of the year and provides the required directions. The results and achievements of the highlevel strategic imperatives are reported to the Board of Directors on monthly basis. Board Strategic Plan Committee meets at least three times per annum to review and

Way forward

evaluate the overall progress of the Bank's Strategic Plan, recommends corrective measures where necessary and ensure that the Bank achieves the objectives within the set timelines.

Strategic objective and focus

Low-Cost Funding - CASA

Quality Asset Crowth and

The Bank continues to strive for sustainable performances through future readiness, improved customer centricity and skilful staff. The Bank will focus on the below areas as strategic

Quality Asset Growth and Recoveries	 Accomplish asset and portfolio quality through effective lending decisions, credit analysis and further development of sound credit culture 	Fee Income
	 Further accelerate recoveries and augment direct P&L contribution 	CASA
Digital and Tech Drive	 Ensure enhanced digital penetration to increase revenue through alternate channels 	Loan & STRATEGIC Digital Channels
Rationalisation of Cost	 Improve the bottom line through innovation, automation and lean management 	Focus Citalineis
Human Resource Management	 Optimise efficiency and secure talent to develop a high performing working culture 	Human Resources Rationalisation of Cost
Sustainable Profits	Secure a sound profit for the Bank	

Low-cost funding: CASA

Actions during 2023

•	Drive CASA and transactions through digital		
	touchpoints	December	A
•	Increase CASA through focused products	2023	
	Making CASA acquisition a key KDI for key	CASA	

- Making CASA acquisition a key KPI for key internal stakeholders
- Promotional Campaigns CASA cum Digital **On-boarding**

Actual % 29.9

Performance

- Future focus
- Higher growth considering anticipated low interest rate regime and economic activities
- Deployment of CRMs/CDMs covering all branches and several key off-site locations
- Paperless account opening
- Change account acquisition model from a single product customer to multiple product customer
- Strengthen digital drive focusing CASA



Capitals

impacted

Quality asset growth and recoveries

Actions during 2023 Canvassing new to bank business with a specific focus can trade outcomercial 	Performanc	e Actual	Future focus Corporate Banking – FCBU business	Capitals impacted
 on trade customers Knowledge sharing, talent development with special emphasis on business growth and recoveries 	December 2023 Gross Loans	LKR Bn 497	High-end clients for the retail banking segment	Financial Capital
 Retail segment – New client on-boarding and mandatory cross selling of multiple products Strengthening impairment management process, monitoring of early warning signals and coordination with Central Recoveries Unit 			 Sectorial scan to identify profitable client segments Advisory and customer consultation to rehabilitate financial positions of identified 	Human Capital
Digital and tech drive Actions during 2023	Performanc	:e	SMEs Future focus	Capitals

December

Penetration

2023

Digital

Actual

%

22

•

- Setup a digital platform that enables a better/efficient customer experience
- Focus on introducing more locally developed solutions
- Internal process efficiency enhancements through automation
- Identify collaborations and partnerships that support stakeholders to work with the Bank and grow the business
- Increased staff engagement, knowledge sharing and skill building to drive digital progress

 Upgrade existing systems by investing in new technology for process automation

impacted



Customisation via digital channels allowing for better personalisation

when providing services

- On-board younger base to digital channels, creating opportunities to cross-sell products and services
- Increasing online channel
 penetration
- Looking at collaboration based services that will allow the faster growth

OUR STRATEGY

Rationalisation of cost

Actions during 2023

- Accelerate the Bank's digital drive for customer • on-boarding
- Operational efficiency improvements
- Expanded the Robotic Process Automation (RPA) for account opening to more branches and expand for other services
- Automated identified processes at Credit Administration, Operational Support, International Financial Services and Trade Finance Operation Units via a workflow system and other system automation
- Staff were trained and certified in Lean Six Sigma at Yellow Belt and Green Belt levels. The training and certification was done in-house by an experienced and certified Lean Six Sigma Master Black Belt resource person attached to the Business Process Re-engineering unit
- The Bank reduced A4 paper purchse by 13% in 2023 compared to 2022
- Mail room and main inventory store operations were outsourced during 2023

incorporating performance appraisal ratings, competency indices, qualifications earned, etc., for new assignments, job enlargements, and upgrades/

Culture Assessment/ Transformation & Engagement

promotions

Performanc	e	Future focus			
December 2023	Actual %	Centralization of processes			
Cost to Income Ratio	37.3	Implement sustainable practices and awareness			
(excluding VAT & SSCL)		Automation and use of Artificial Intelligence (AI)			

Capitals impacted



Human resource

ctions during 2023 Talent retention	Performanc	ce	Future focus Retention of high	Capitals impacted
Recognition of high-flyers and continued with the programmes to improve them	December 2023 Profit per	Actual LKR Mn 2.03	Performing staff Strengthening of Performance based	Human Financial
Talent pools have been created for the jobs/areas where necessary	Employee	2.00	working culture	Capital Capital
Succession planning Duly approved succession plan	Cost per Employee	6.00	 Enhanced employee engagement 	Intellectual Capital
Identified personnel to be groomed and developed fo leadership roles	r		 Flexible and agile working environment Customize benefits 	
Created opportunities for staff through job enrichmer and empowerment with cost-effective staff compensation and manpower strategies	nt		to cater to diverse employee needs	
Strengthen the Performance Driven Culture			Al-empowered workforce evaluations	е
An integrated approach has been implemented				

OUR FOCUS ON SUSTAINABILITY

Strides towards sustainability

Our approach

Since launching our 'Sustainability Strategy' depicted below, we've set out procedures to develop a more inclusive and sustainable business environment, creating a positive impact for all our stakeholders.

We understand the importance of building strong partnerships with stakeholders that directly or indirectly impact the operations and sustainability of the Bank. Seylan Bank's sustainability strategy sheds light on how to merge the corporate strategy as a means of operationalizing an objective driven path with better traction. We have assigned responsibilities to each and every business unit and support services where KPIs are linked to monitor and evaluate growth momentum.

Our aim is to make a responsible effect to the society and environment interconnected with our business engagements, while adhering to relevant legislative frameworks, standards, rules and regulations and industry best practice.

Sustainability governance

Ultimate oversight of our sustainability policy and the implementation thereof lies with the Seylan Bank Board and Sustainability Subcommittee. Also assessed how sustainability performance aligns with the overall resilience of the Bank.

A management committee represented by the senior management monitors and evaluates the overall performance of the sustainability initiatives and projects steered by the sustainability manager and wardens.

Staying abreast with the regulator's call to action together with local and global sustainability standards and industry best practices in an ESG enabled outfit, our Board approved Environmental and Social Risk Management (ESRM) system facilitates the business to assess its impact over society and the environment with due diligence exercised to negate or mitigate detrimental impacts if any.

We also engage in various philanthropic initiatives which act as bridges to better connect with social circles within which

Contributing to the UNSDGs

The UNSDGs coin a blueprint for a sustainable future, with an ambition to curb poverty, protect the planet and ensure prosperity for all.

Our sustainability strategy as depicted below revolves around 11 UNSDGs across a timeline of five years.

Our sustainability pillars

Our sustainability ambitions are structured along three key pillars - Unlocking the potential in People, Unlocking the potential to protect the Planet and Unlocking the potential for mutual Profit. These act as a guide to how we allocate resources for the greatest impact.

Key enablers

Our key enablers – brand key, capabilities, people, vision, values and governance – allow us to deliver on our sustainability ambitions. These enablers represent the ESG risks and opportunities that are factored into the sustainable business equation.

we manage our business and create a positive social and environmental impact overall. During the year we have been active in many webinars, conferences and workshops, providing our expertise to incorporate the finance element into the sustainable finance equation. Our continued patron membership with Biodiversity Sri Lanka, aiming to support its mandates in helping raise awareness on biodiversity and sustainability, endorses our intent to secure a better ecosystem in an environmental dimension.



Capacity building

We have in place an organisation wide ESG capacity building programme which aims to provide our employees with the required

understanding as to how the Environmental and Social Management System (ESMS) must be put into a ground level operational reality. Our e-learning platform which is linked to the 11 principles of the Sri Lanka Sustainable Banking Initiative, is specially designed to drive environmental and social learning among staff in an interactive manner. Five modules in the E-learning platform has been already completed by 1,764 employees as at 31 December 2023.

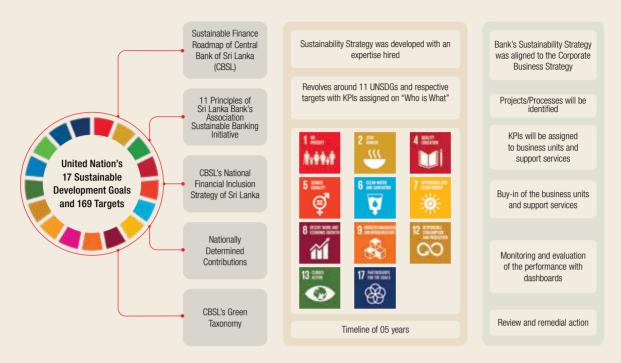
Sustainability disclosures

Our sustainability disclosures are prepared based on global sustainability frameworks, standards and initiatives such as the Global Reporting Initiative (GRI). Furthermore, we are also a signatory to 11 principles of Sri Lanka Sustainable Banking Initiative and follow the Direction of the Central Bank on Sustainable Finance Activities of Licensed Banks bolstering our commitment to sustainability. We have obtained independent assurance on the sustainability disclosures presented within this Annual Report.



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OUR FOCUS ON SUSTAINABILITY



As shown in the model above, our Sustainability Strategy goes hand in hand with the Corporate Business Strategy. Responsibility together with the KPIs therein were assigned to respective Business Unit and Support Service. Accordingly, roll out will converge with the business to be a common mandate parallel to the timeline set. Project lines also will be identified to stay abreast with the scope and momentum. While overarching 11 UNSDGs the sustainability strategy also embedded CBSL's Sustainable Finance Roadmap, 11 principles of SLBA – SBI, CBSL's National Financial Inclusion Strategy, nationally determined contributions and Green Taxonomy into its thought process to have accomplished a ripple effect therein.

Sustainability in action



Our financial support for people, businesses and the industry generates a broad range of benefits such as increased employment, poverty alleviation, GDP growth and better living standards. Additionally, Seylan Bank recognises its duty to promote sustainable human and economic development within the society through direct action and considers 'Education' as a focal theme to unlock the future potential through school children. By educating them on financial transactions and providing the required financial literacy the Bank aims to reduce poverty and social injustice, providing the necessary resources and opportunities for better social standards and inclusion.

Features and KPI (s) achieved

Programme	Accomplishment
Seylan staff grants	LKR 0.4 Mn on 32 children of late former staff members as a mark of respect for their families as part of the business equation
Enabling technology based literacy	Donated 6 new computers to 6 schools through Seylan Pahasara Library Project Donated 8 refurbished computers to 2 schools
Growing the number of women in the leadership roles - 22%	Gender equality and better corporate governance structure
Career development opportunities to staff	Competency index of 71%
Affordable home loans to external customers	Inclusive finance leveraged as means of fulfilling a basic social need
Providing educational aid to students at needy schools	More than 1000 Books and 06 computers donated for Seylan Pahasara Libraries to unveil the future potential of development
Providing ICT aid to Bank's staff	Special training program for Credit staff on risk associated in Information and communication technologies (ICT) sector and credit evaluation as organized by USAID Catalyst team with the aim of building infrastructure requirements to aid digital transformations
Infrastructure development assistance to disadvantaged schools	Equipped 06 library buildings in schools under the Seylan Pahasara project to avail needy students with knowledge and capacity to face the future with confidence and courage



Seylan Bank has had a clear and unequivocal commitment to environmental sustainability. Funding climate-related projects, implementing energy management practices, promoting sustainable tourism, providing digital and more inclusive banking and implementing a bank-wide carbon management programme are some of the key avenues through which Seylan Bank aims to help address environmental challenges and contribute to the sustainable development of the country.

Features and KPI (s) achieved

Programme	Accomplishment
Implementation of energy management practices	Conserving energy and support transitioning to low carbon trajectory
Investment in renewable energy projects Finance on energy efficiency 0% interest loans on household solar facilities for Seylan Bank Credit Card holders	Contributed 190.67 GWh to national grid during the year LKR 2,541 Mn hybrid vehicle loans granted LKR 74 Mn advances for 83 customers across 09 districts
Digital banking services	Cost effective and efficient service attributes together with transitioning into paperless banking and low carbon trajectory Workflows implemented in many areas
Transitioning to paperless banking through digital interface	Environmental conservation and positive impact on eco-systems
Reuse/recycle and reduce	Reduction of paper usage and fresh production as means of environmental benefits
Conducting environmental education programmes	Capacity building as a tool to improve behavioural attributes towards environmental considerations



SMEs and start-ups contribute significantly towards economic growth as a source of entrepreneur skills, innovation and employment. Thus, Seylan Bank focuses on providing loans to SMEs and start-ups which may not have access to traditional banking services thereby promoting financial inclusion and empowering individuals to become self-sufficient. We also aim to build a more resilient economy by providing funding to domestic farming such as paddy cultivation, grains, vegetables and fruits as well as cottage industries such as dairy farming, fisheries, home gardening and sewing.

Features and KPI (s) achieved

Programme	Accomplishment
Supporting SMEs, start-ups and women-led enterprises	05 Training Sessions targeting Staff and SME clients in association of IFC, USAID and 3,896 loans under NCRCS scheme to promote women and youth entrepreneurship
Network expansion	Enhanced accessibility through 6 Cheque Deposit Kiosks (CDK) and 3 Cash Re-cycler Machine (CRM)
Providing affordable and accessible vehicle leasing options	Improvement in living standards Enhancing convenience in transportation and fostering livelihoods
Providing loans to manufacturers	Tie-up partnership with National Chamber of Exporters (NCE) 20 large scale exporters were financed providing more opportunities for local producers and stabilizing the general price levels of goods in the macroeconomic eye
Funding/loaning to domestic farming and cottage industries	Fostering agricultural sector as means of promoting households to contribute more to country's development momentum

Way forward

- Explore the opportunity to engage with green finance projects while strengthening the ESG framework and meeting prerequisites including the ESMS implementation across the business units
- Enhance renewable energy sector projects
- Transition branches from conventional power into solar power
- Digital penetration as means of reducing paper, streamlining processes saving electricity and printing

BUSINESS UNIT OVERVIEW

Delivering sustainable value

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AND IN
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Branch Banking

Includes Branch banking, mid-sized corporates, and SMEs

Focus for 2023

- Focus marketing activities to promote selected products to ensure branches record a substantial growth. Identify support segments
 with growth potential and need further funding
- Improve market share and credit growth, notwithstanding the multitude of challenges encountered
- Branches focused on growing the book while enhancing credit quality and the earnings
- Strengthen recovery efforts through strong coordination with the Recoveries Unit, while monitoring the stage movement of customers
- Strengthen staff cadre with the expectation of managing enhanced transaction volumes
- Knowledge transfer mechanisms and individual practical training sessions set up for staff handling SME clients
- Regular branch visits and meetings to ensure business acquisitions. Right focus on recoveries and proper customer evaluation strategies by branches and credit hubs
- Improve foreign currency inflows to mitigate the adverse impact of the foreign currency shortage. On-board new-to-bank export clients under the "Export Expert" marketing campaign through which the Bank can enhance the visibility of its trade products among export-led businesses

Key highlights of 2023

- Recorded the highest-ever Profits after Tax (PAT) by branch banking
- Launch of the special 'Export Expert' trade campaign. Consequently, the Bank attracted new-to-bank export clients and balanced the growth of the Bank's loan portfolio with a view to maintaining a healthy nexus between import-export facilities
- Granted highest number of refinance/NCRCS Loans, mainly covering agriculture and related sectors
- Entered into a strategic partnership with the National Chamber of Exporters (NCE) as one of their preferred financial partners
- Actively participated in the National Industrial Exhibition organized by Ministry of Industries as silver sponsorship provider
- Conducted a series of seminars/workshops targeting SME customers

KPI achievement

KPI	Net Interest Income	Other Income	Profits	Deposits	Loans & Advances
YoY Growth	17.35%	25.13%	172.55%	5.58%	1.84%

🖱 Way forward

- Market scanning to identify potential businesses and on-boarding new-to-bank clients
- CASA mobilisation through acquisition of high-end SMEs and individuals to bring down cost of funds and be competitive in lending
- Optimise fees income through additional business/cross-selling to existing clients and on-boarding new SME clients to increase earnings to the Bank
- Close monitoring and recovery support to be provided by Head Office Units such as Branch Banking Unit/Recoveries Unit/Credit Monitoring Unit and Credit Hubs
- · Lend to positive industry growth sectors while ensuring asset quality
- Regularly monitor early warning signals, and monitor covenants to increase quality in asset book
- Introduce a bundled package targeting mid- market SMEs with attractive interest and commissions
- Special drive for refinance loans supported by the Expected National Credit Guarantee scheme
- On-board new-to-bank exporters under Export Expert campaign
- Conduct seminars and capacity building workshops for credit staff and SME clients in partnership with Apex Bodies- IFC/USAID Catalyze/NCE

Retail Banking

Includes housing, pawning, cards, leasing, bancassurance, personal loans and loans against property

Focus for 2023

1.8

- · Focus on new to bank business through aggressive canvassing
- · Strengthening Credit Quality of Retail Business considering the prevailing market and economic conditions
- Centrally handle the follow up on the stage movements of customers, recoveries, restructuring and litigation processes at the Retail • Credit Department
- · Promote fee based income from all retail products particularly from cards

Key highlights of 2023

- Introduced Seylan Cards Rewards platform, increasing loyalty towards Seylan Cards
- Cards demonstrated a decent growth and a higher contribution to the Bank's earnings
- · Seven wins at the SLIM national sales awards
- Personal loans and bancassurance achieved targets in spite of market setbacks •
- The leasing segment experienced degrowth during the first half of the year. However, with the interest rates reduction, our leasing • book gathered momentum during the latter part of the year

KPI achievem	ient					
КРІ	Credit Cards	Personal Loans	Housing Loans	Pawning	Leasing	Bancassurance
YoY Growth	8.90%	4.09%	7.55%	3.47%	5.15%	16.50%

Way forward

- · Promotion of housing loans, personal loans and solar loans while maintaining credit quality
- Expanding the Retail Business including Cards among new segments who have business potential
- With the expected improvement in interest rates and market conditions, planning to grow the retail book while ensuring credit • quality

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BUSINESS UNIT OVERVIEW

Corporate Banking

Includes Corporate Banking, Project Financing, and Foreign Currency Banking Unit

Focus for 2023

- Identifying growth areas such as exports, IT, medical, etc., and on-board new clients across these industries
- · Improving client interactions and relationships which were restricted during the COVID-19 pandemic and its immediate aftermath
- Adopting total client profitability analysis based on a total wallet / ROA approach to ensure better use of available market liquidity and ensure highest returns
- · Increase the use of digital banking platforms by corporate clients
- · Diverting the focus towards overseas lending through healthy margins and calculated risks
- Growing the export book, revise trade tariffs and negotiate frequently with correspondent banks for competitive rebates on trade transactions to enhance trade business
- · Conducting international trade-related seminars, awareness sessions and external trainings

Key highlights of 2023

- · Substantial lending growth across many sectors and expanding off shore lending across rapidly growing business segments
- Trade and remittances jointly recorded the highest-ever income during the year despite tough market conditions where imports
 were heavily restricted and economic conditions were turbulent
- Substantial on-boarding of corporate clients and related stakeholders onto digital banking platforms

KPI achievement

KPI	Net Interest Income	Other Income	Profits	Deposits	Loans & Advances
YoY Growth	14.78%	15.10%	42.23%	12.91%	6.22%

🕮 Way forward

- Look at more offshore lending options to enhance the Bank's profitability
- Focus on ancillary businesses to grow our top line, since the outlook for 2024 will be positive and we look forward to a year of
 growth
- · Roll out corporate internet banking to enhance customer convenience
- · Process improvements through system automation and implementation of Cash Management Solution
- With the objective of further diversifying the trade portfolio, steps will be taken to canvass trade clients from diversified fields enabling us to have a diversified portfolio thereby minimising reliance on a few sectors
- More focus will be given to the remittance business as a part of trade operations, since market dynamics have changed and import clients now prefer advance payment terms as a natural hedge against exchange rate volatility
- Establish remittance tie-ups with new partners in emerging markets and approach Fintech service providers to collaborate with Seylan Bank to process remittances

Treasury Operations

Focus for 2023

- · Maintain adequate liquidity to meet maturing liabilities and enable efficient management of the Bank's asset and liability portfolio
- · Maintain liquidity ratios of both domestic and foreign currency banking units ensuring the related regulatory requirements are met
- · Effective management of all cash flows and prudent resource allocation to maximize profitability of the Bank
- · Diversify the asset portfolio to overcome the inherent over dependency on investments in government securities
- · Continuous training and development of staff for smooth functioning of treasury functions

Key highlights of 2023

- · Maintained all statutory ratios above the regulatory requirements at all times
- Successfully managed the government security portfolios amidst the economic challenges mainly due to volatile interest rates scenario
- Maximized exchange income by managing volatilities in exchange rate
- · All interest rate mismatches were efficiently managed mitigating threats posed by interest rate volatilities
- · Bank's Treasury emerged champions at the first ever "Financial Market Quiz" organized by Sri Lanka Forex Association

🟦 KPI achievement

KPI	Net Interest Income	Forex Income	Capital Gain	Profits
YoY Growth	17.97%	65.40%	588.49%	4.64%

🖱 Way forward

- Plans are underway to exponentially increase the Bank's trade and remittance flows. This will increase the overall profitability by way
 of increased exchange income and commission income and reduce concentration risk through diversification. The increase in trade
 bills will also help to diversify the liquid asset portfolio
- Scarce financial resources of the Bank will continue to be allocated to products yielding highest revenue and margins
- Profitability will be maximised through prudent and efficient management of scarce financial resources
- Negotiate with counterparties to re-commence forex trading limits to facilitate trading in majors and position covering. This will
 create more trading opportunities where the Bank can obtain competitive rates to increase its profit margins which will also
 contribute to the efficient management of the treasury function
- Plans are underway to revamp the treasury management system facilitating current regulatory and market requirements to take the Bank to the next growth phase

Our engines of value creation

INTRODUCING OUR CAPITALS

Our multi-capital integrated approach defines our decision-making and disclosure practices. Communicating our business objectives using this approach helps our stakeholders to identify the most significant levers for value creation and preservation.

FINANCIAL CAPITAL

Building financial strength and stability

Value created and preserved in 2023

- Increase in profit after tax by 33% to LKR 6.26 Bn
- Greater efforts to preserve portfolio quality lending to a reduction in impairment charges and as a result improved the Impaired Loan (Stage 3) Ratio (3.85%) and Impairment (Stage 3) to Stage 3 Loans Ratio (68.29%)
- Increase in total assets by 7% and to LKR 718 Bn milestone
- Increase in total equity by 11% to LKR 61 Bn
- Maintained sufficient liquidity buffers to manage day to day cashflows
- Capital Adequacy Ratios are well above the statutory limits



Bank's approach towards maintaining financial viability while meeting investors' security

The Bank focuses on best possible performance and maintains transparency with regard to its financial and non-financial reporting to the stakeholders making them more comfortable in their way forward investment and business decisions.

Adequacy of Capital, Liquidity, Profitability, Book Growth and Asset Quality while managing series of risks are the main focus of the Bank in ensuring enhanced performance of the Bank and constructing value to its stakeholders.

The Bank always ensures to comply with the statutory and regulatory requirements, and to

Despite challenging market and economic conditions that prevailed during the year 2023, the Bank adopted its strategies that aimed at enhanced financial and non-financial performance while creating and preserving value to all the stakeholders.

The Annual Report 2023 by its financial and non-financial disclosures well informs our investors how the Bank performed during the year 2023, and the future strategies that are forward-focused and contributing to Sustainable Development Goals (SDGs) directly and indirectly. Such information would support the investors for better decision making.

review and revise the policies, procedures, guidelines and codes of conduct to be in line with local and global standards and industry best practices while creating a sustaining value to all stakeholders.

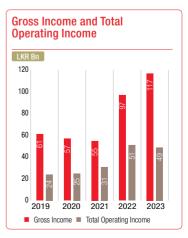
The Bank focuses on best possible performance and maintains transparency with regard to its financial and non-financial reporting to the stakeholders making them more comfortable in their way forward investment and business decisions.

Income statement analysis

Gross income

The Bank's Gross Income for the year recorded a 21% growth to LKR 117 Bn during the year 2023 compared to LKR 97 Bn reported in the previous year. Interest Income, Fee and Commission Income and Other Operating Income are the sources of gross income. The main contributor for the Bank's Gross Income is the Interest Income, which recorded a 24% increase over the previous year.

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Net interest income and net interest margin

The Net Interest Income of the Bank reported as LKR 40 Bn in 2023 compared to LKR 41 Bn reported in 2022 with a slight YoY decline of 1%, which is common in the industry, due to the behavior in interest rates throughout the year 2023.

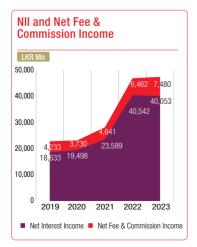
There was an increasing trend in market rates in 2022 and a declining trend in market rates in 2023, and as a result, there was a notable movement in both interest income and interest expenses in 2023 compared to that of 2022. Interest Income and Interest Expenses reflected a growth of 24% and 47% respectively in year 2023, compared to the notable growth of 84% and 96% reported in 2022 for Interest Income and Interest Expenses respectively.

However, the overall interest income for the year recorded an increase of LKR 21 Bn to reach LKR 107 Bn compared to LKR 86 Bn recorded in 2022 and overall interest expenses for the year recorded an increase of LKR 21 Bn to reach LKR 67 Bn compared to LKR 46 Bn recorded in 2022.

The Net Interest Margin (on average total assets) stood at 5.76% in 2023 compared to 6.33% recorded in 2022 and was mainly driven by the policy rate changes and repricing of assets and liabilities accordingly. The Net Interest Margin on average interest earning assets stood at 6.42% in 2023 (7.08% in 2022).

Net fee and commission income

Net fee and commission income of the Bank has shown a notable growth of 16% to LKR 7 Bn from LKR 6 Bn reported in previous year. The growth in 2023 is mainly attributable to fee income from cards, loans and other financial services.





Other income and total operating income

Net gains /(loss) from trading

The Bank's net gains /(loss) from trading reported a gain of LKR 0.82 Bn, an increase of 283% over the loss reported in previous year. Net gains/losses on derivative financial instruments from Banks, and net mark to market gains/losses on government securities have reported a gain in 2023 over the losses reported in previous year due to interest rate volatility. Net capital gains on government securities have also increased during the year under review compared to the previous year.

Net gains from de-recognition of financial assets

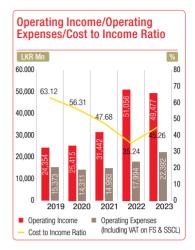
Net gains from de-recognition of financial assets reported an increase of 340% to LKR 0.15 Bn compared to LKR 0.03 Bn reported in the previous year primarily due to increase in capital gains realized during the year under review, since the fair value of the financial assets increased under the declining interest rates scenario.

Other operating income

Net Other Operating Income of the Bank amounting to LKR 1.6 Bn for 2023 reported a drop over the previous year by 78%. This drop is mainly from net foreign exchange revaluation gains and is primarily attributed to the loss in foreign exchange income derived from revaluation gain/(loss).

Total operating income

The Bank's Total Operating Income decreased by 3% to LKR 49.48 Bn in 2023 compared to LKR 51 Bn in the previous year mainly due to decrease in foreign exchange income. If not considered the foreign exchange income, the total operating income would have increased by 2%.



Impairment charges

The Bank recorded an impairment charge of LKR 17 Bn during 2023 against LKR 26 Bn reported in corresponding period of 2022 with a reduction of 36%.

The Bank made impairment provision to capture the changes in the macro economy, credit risk profile of customers and the credit quality of the Bank's loan portfolio in order to ensure adequacy of provisions recognized in the financial statements.

During the year 2023, the impairment charge on Loans and Advances amounts to LKR 15 Bn (2022 - LKR 21 Bn) and impairment charge on Foreign Currency Denominated Bonds amounts to LKR 1.5 Bn (2022 – LKR 4.7 Bn).

In the year under review, the credit quality of the Individually Significant Loans was critically evaluated and appropriate provisions were made. Moreover, adequate provisions were also made under the Collective Impairment category to capture the impact of the prevailed economic conditions in 2023. The Bank's estimated Expected Credit Loss (ECL) was based on the Probability of Default (PD), Loss Given Default (LGD) as at December 31, 2023 and Economic Factor Adjustment (EFA) applying the recent forecasts and projections. The Bank maintains provisions made as management overlay based on the assessment of significant increases in credit risk, and by stress testing the exposures to risk elevated sectors.

Further, the Bank has accounted for an additional Expected Credit Loss (ECL) on Foreign Currency Denominated Bonds in the financial statements considering the impact on Interim policy regarding the servicing of Sri Lanka's external public debts issued by Ministry of Finance of Government of Sri Lanka. The Bank has also accounted for day one loss arising on initial recognition, from the swap of Sri Lanka Development Bonds to Rupee bonds under the Domestic Debt Optimization program. The said impact has been recognized in the Income Statement.

Impairment charge on Loans and Advances recorded LKR 15 Bn with a reduction of 28% over the previous year mainly due to factors described above.

Out of the total impairment charge of LKR 17 Bn, 90% (LKR 15 Bn) reflects the impairment charge on Loans and Advances. Stage wise impairment charge on loans and advances reflects LKR 3 Bn (reversal), LKR 1.4 Bn and LKR 16.9 Bn for Stage 1, Stage 2 and Stage 3 respectively. Impairment on Individually Significant Loans, Collective Portfolios and Management Overlay were separately assessed during the year under review.

Impairment charge on Financial Assets Measured at Amortized Cost – Debt and Other Instruments have been recorded as LKR 1.5 Bn a significant reduction of 68% over the previous year, since a considerable amount of ECL (Expected Credit Loss) on International Sovereign Bonds and Sri Lanka Development Bonds have been recorded in previous year.

Personnel expenses, establishment and other expenses, total operating expenses and cost to income ratio

Personnel expenses

The Bank's Personnel Expenses increased from LKR 8 Bn in 2022 to LKR 9.1 Bn in 2023 with 15% growth mainly due to increase in the staff benefits and adjustments made as relief allowances to absorb high cost of living and taxes.

Establishment and other expenses

Other Operating expenses and depreciation and amortization expenses too increased by 28% to LKR 9.3 Bn during 2023 compared to LKR 7.3 Bn reported in 2022 mainly due to increase in prices of consumables and services over the period. The Bank will continue to take relevant measures to curtail costs through various cost initiatives.

Total operating expenses and cost to income ratio

The Bank's total operating expenses increased by 21% to LKR 18.5 Bn during the period under review compared to LKR 15.2 Bn recorded in the previous year.

Further, both the Bank's cost to income ratio including taxes and cost to income ratio excluding taxes recorded an increase and stood at 45.26% and 37.30% respectively in 2023 compared to 35.24% and 29.81% respectively in the previous financial year. This increase is mainly due to increase in expenses with prevailing inflationary condition, and the total income has not increased at the same rate to compensate the increased expenses.

Taxation

The Bank's Value Added Tax on Financial Services increased by 31% amounting to LKR 3.45Bn compared to LKR 2.65 Bn recorded in the previous year due to increase in liable income.

Further, Social Security Contribution Levy (SSCL) imposed with effect from 01 October 2022 at the rate of 2.5% on the value addition liable for Value Added Tax on Financial Services. The charge for the year increased from LKR 0.13 Bn in 2022 (only for 3 months) to LKR 0.48 Bn, the full year charge for 2023.

The Bank's Income Tax Expense reported a growth of 99.5% to LKR 3.82 Bn in 2023 compared to LKR 1.92 Bn reported in 2022, mainly due to impact form rate change and increase in liable income. The Corporate Tax Rate was revised with effect from 01 July 2022 from 24% to 30 % and the provisions were recorded accordingly. The Bank's effective tax rate (excluding deferred tax) was 38% in 2023 where as in 2022 it was 29%.

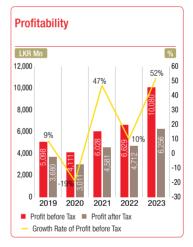
The Bank recorded a Deferred Tax accordingly at 30% marking an increase on impact from rate change happened from July 2022. The impairment reversal/ reduction of stage 1 and 2 loans have impacted on the deferred tax charge during the year.

Profitability

The Bank recorded a Profit before Tax (PBT) of LKR 10.08 Bn for the period under review with a 52% growth over the previous year while recording a Profit after Tax (PAT) of LKR 6.26 Bn for the year with a 33% growth over the previous year, despite challenging

market and economic conditions that prevailed during the period.

The Bank's Net Interest Income (LKR 40 Bn), Net Fee and Commission Income (LKR 7 Bn) and Other Income (LKR 2 Bn) contributed to maintain its total operating income at LKR 49.48 Bn with a little decline of 3% compared to previous year. The Bank recorded LKR 17 Bn as impairment charges for the year. The impairment charge for the year reflected a reduction of 36% over the previous year charge and that contributed to the growth in operating profit. The requirement of lesser provision for impairment in 2023 was partly due to improvement in macro economic condition, in addition to focused recovery startegies. The Personnel Expenses (LKR 9 Bn) and the Other Expenses (LKR 9 Bn) as a total recorded a LKR 3 Bn increase over the previous year and accordingly affected the profitability. Total tax expenses (LKR 7.76 Bn) has increased by LKR 3.07 Bn compared to previous year tax expenses (LKR 4.69 Bn) due to higher profitability and the rate impact.



Other comprehensive income (OCI)

The Bank's OCI loss reduced to LKR 0.027 Bn by 99% over the previous year OCI loss recorded as LKR 2.724 Bn.

Due to the reducing interest rate scenario the Bank gained from Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income (after tax LKR 0.691 Bn). Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income (after tax LKR 0.288 Bn) also recorded a gain due to increase in market value of Equity Investments. The Actuarial Losses on Defined Benefit Obligations (LKR 1 Bn) has increased by 353% over the previous year mainly due to the assumptions

FINANCIAL CAPITAL

used, such as discount factor to be in line with the market interest rates and the average salary increment rates.

Statement of financial position Total Assets

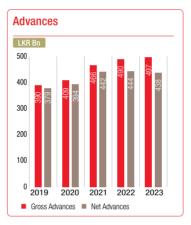
The Bank's total assets grew by 6.7% during the year under review to reach the total assets to LKR 718 Bn as at 31 December 2023 compared to LKR 673 Bn recorded in the previous year demonstrating the sustained growth of the Bank over the years. Cash and Cash Equivalents, Placements with Banks and Finance Companies, Financial Assets recognised through Profit or Loss (Measured at Fair Value), Financial Assets measured at Fair Value through Other Comprehensive Income etc. mainly contributed to the growth in total assets.





Loans and Advances

It was a challenge to grow Loans and Advances in the prevailed economic and market condition, where there were rate volatilities and lesser demand for Lending. The Bank recorded net Loans and Advances at LKR 438 Bn as at 31 December 2023 compared to LKR 444 Bn recorded in 2022 and the contraction was mainly due to the impact from local currency appreciation. The Bank's gross Loans and Advances increased by LKR 7 Bn to LKR 497 Bn as at 31 December 2023 from LKR 490 Bn recorded as at 31 December 2022. Rupee Loans and Advances increased by LKR 19 Bn and LKR equivalent of Foreign Currency Loans and Advances recorded a contraction of LKR 12 Bn mainly due to local currency appreciation and settlement of Loans. The impairment allowance on Loans and Advances increased from LKR 46 Bn in 2022 to LKR 60 Bn in 2023.



Asset quality and provision cover

The Banks's Asset Quality Ratios-Impaired Loan (Stage 3) Ratio and the Impairment (Stage 3) to Stage 3 Loans Ratio stood at 3.85% (2022 – 4.98) and 68.29% (2022 - 54.36) respectively, which reflects an improvement in both ratios from the previous year. This is mainly due to the appropriate provisions made by the Bank, close monitoring of impaired loans and strengthening of recovery actions during the year.

Deposits and casa

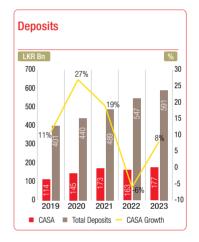
The Bank focused on growing its core Business and made necessary arrangements to canvass new to Bank Deposits while retaining the existing customer base.

	CBSL Requirement	2023	2022
Total Risk Weighted Assets (LKR Mn)	N/A	442,786	467,105
Common Equity Tier I Capital Ratio (%)	7.00	12.52	10.69
Total Tier I Capital Ratio (%)	8.50	12.52	10.69
Total Capital Ratio (%)	12.50	15.84	13.59

The Bank's total Deposit Base grew by LKR 44 Bn during the year 2023 to LKR 591 Bn compared to total Deposits of LKR 547 reported in the previous year as of 31 December.

The Bank's LKR Deposits reported a growth of LKR 37.65 Bn and LKR equivalent of FCY Deposits reported a growth of LKR 5.7 Bn.

The Bank's CASA base grew from LKR 163 Bn in 2022 to LKR 177 Bn in 2023 as of 31 December, which is a 8% growth from the previous year. CASA ratio stood at 29.90% in 2023 compared to 29.80% of the previous year.



Financial indicators and ratios Capital Adequacy Ratio

The capital adequacy ratios were well above the regulatory minimum requirements and recorded 12.52% as Common Equity Tier 1 Capital Ratio & Total Tier 1 Capital Ratio while Total Capital Ratio as at 31 December 2023 recorded as 15.84%.

The Capital Adequacy Ratios have increased compared to previous year mainly due to Debenture issue of LKR 5 Bn in 2023, growth in profits & reserves for the year ended 31 December 2023 and reduction in Risk Weighted Assets (Please refer section " Risks and Opportunities" of this Annual Report for details.)

Statutory liquid asset ratio (SLAR) and liquidity coverage ratio (LCR)

The Bank maintained the SLAR well above the statutory requirement, during year under review. The Statutory Liquid Asset Ratio (SLAR) for the Overall Bank, Domestic Banking Unit and the Foreign Currency Banking Unit were maintained at 38.04%, 38.51% and 23.28 % respectively as at December 2023.

The Bank also maintained the LCR above the statutory requirement and the All Currency LCR and the Rupee LCR were maintained at 338.42 % and 355.16% respectively.

	CBSL Requirement	2023	2022
Statutory Liquid Asset Ratio (SLAR)			
Overall Bank (%)	20%	38.04	25.51
Domestic Banking Unit Operations (%)	20%	38.51	25.16
Foreign Currency Banking Unit Operations (%)	20%	23.28	25.02
Liquidity Coverage Ratio (LCR)			
All Currency (%)	100%*	338.42	175.10
Rupee (%)	100%*	355.16	280.14

* 2022 - 90%

Return on equity (ROE) and return on average assets (ROAA)

The Return on Equity (ROE) stood at 10.88% for the year under review compared to 8.85% recorded in 2022.





The Return on Average Assets (net of tax) recorded as 0.90% for the year under review compared to 0.74% recorded in 2022.

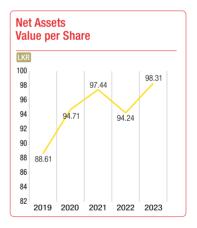


Earnings per share (EPS) and net assets value per share

The Bank's Earnings per Share stood at LKR 10.17 as at end of 2023 compared to LKR 7.66 reported as at the end of the previous year.



The Bank's Net Assets Value per Share stood at LKR 98.31 as at the end of 2023 (Group LKR 101.36) compared to LKR 94.24 reported as at the previous year end (Group 97.27).



Returns to shareholders and investors

The Bank is always committed to delivering economic value to all its stakeholders and as such the core activities of the Bank are structured and managed to reward our shareholders and other investors to the best of its ability while maintaining consistency in creating long-term value.

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FINANCIAL CAPITAL

Value added statement



Distribution of shareholding

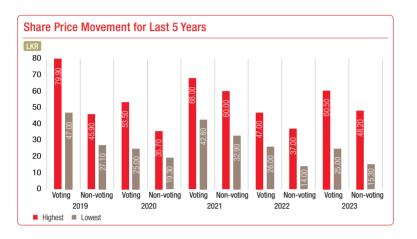
/ear	Classification	Description	No of Shares	%
	Tuno	Voting	296,716,366	48.21
	Туре	Non-voting	318,732,692	51.79
222	Coorrenhia	Resident	596,375,635	96.90
2023	Geographic	Non-resident	19,073,423	3.10
	Demographic	Institutional	495,375,511	80.49
		Individual	120,073,547	19.51
	Turne	Voting	282,704,760	48.93
	Туре	Non-voting	295,071,313	51.07
000	Coorrenhia	Resident	559,630,829	96.86
022	Geographic	Non-resident	18,145,244	3.14
	Domographie	Institutional	465,638,283	80.59
	Demographic	Individual	112,137,790	19.41

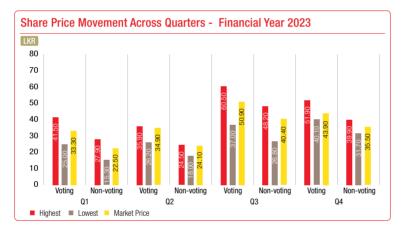
Value Creation for Our Shareholders

		Deviation	In Donistion			
2020 20 ⁻	2020	2021	2022	2023	Depiction	In
57,224 61,3	57,224	54,767	96,818	116,773	Turnover	
4,111 5,09	4,111	6,028	6,629	10,080	Profit before income tax	LKR Mn
3,011 3,68	3,011	4,581	4,712	6,256	Profit after income tax	
557,707 516,29	557,707	607,577	672,806	717,985	Total assets	
94.71 88.0	94.71	97.44	94.24	98.31	Net Assets Value per Share	
4.89 5.9	4.89	7.44	7.66	10.17	Earnings per share	LKR
1.5	1.5	3	2	2.5	Dividend per share	
94.71 4.89	94.71 4.89	97.44 7.44	94.24 7.66	98.31 10.17	Net Assets Value per Share Earnings per share	LKR

Dividend Payout

The Bank through its Dividend Policy ensures to create maximum value for its shareholders. Consequently, to improve market capitalization while taking into consideration the requirement of profit retention the Bank also aims to build the Organic Capital, which in return safeguards shareholders' interests in the long run.





Way forward



- The Bank remains focused on Profitability, Book Growth, Asset Quality, Adequacy of Capital and Liquidity while managing series of risks the Bank faces in the current context
- The Bank ensures to comply with the statutory and regulatory requirements and to review and revise the policies, procedures, guidelines and codes of conduct to be in line with local and global standards and industry best practices
- The Bank will adopt more prudent strategies aiming the business growth and profitability while sustaining value to all the stakeholders
- More focus on strategic initiatives under Low Cost Funding, Asset Quality and Recoveries, Digital Drive, Cost rationalization and Human Resources
- More information on the Bank's Strategies, Key Initiatives etc. are discussed under "Our Strategy" and "Business Unit Overview" of this Annual Report

Financial reporting and compliance

The Bank keeps its stakeholders and the general public informed its financial position and performance primarily through the Annual Report and Interim Financial Reports. Publishing of our Annual Report and Interim reports before the stipulated dates respectively as required by the Colombo Stock Exchange (CSE) is complied with and same would assist the investment decisions of stakeholders.

The Interim Financial Statements for 2023 were published in timely manner.

Refer Capital sections for the respective Awards and Recognitions.

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MANUFACTURED CAPITAL

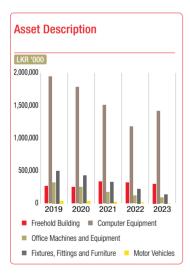
Strengthening our capacity

Value created and preserved in 2023

- Expansion of delivery channels
- Improved operational efficiency
- Reduced cost/prevented income and revenue leakage

Capitals Impacted





The Bank's manufactured capital consists of the physical infrastructure including its islandwide network of branches, ATMs, CRMs, plant and equipment and other built assets which facilitate its value creation. The Bank prioritizes infrastructure readiness for future uncertainties such as changing buyers' behavior and unforeseen future banking demands and ensures its manufactured capital functions optimally to communicate our brand ethos.

Additions during the year	LKR
Computer equipment	704 Mn
Office machines and equipment	22 Mn
Fixtures, fittings and furniture	29 Mn

Our branch footprint

The branch network serves as an effective platform to deliver the Bank's products and services. Seylan Bank has an island wide network of 171 banking centres, 215 ATMs, 70 cash deposit machines and 100 cheque deposit KIOSKs, 03 cash recycler machine, to serve a growing client base.

C

Eastern

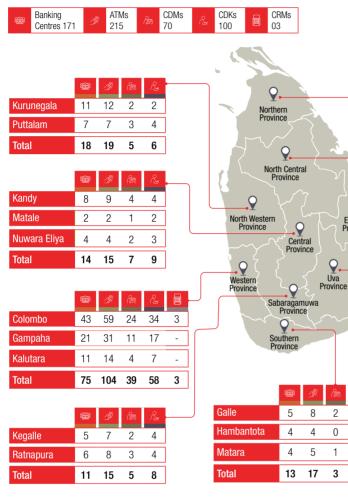
Province

3

1

1

5

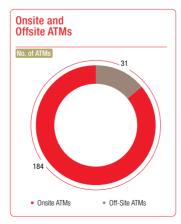


Strategies to enhance head office and branch efficiencies

- Transformation of 10 branches into single-floor operations
- Automation, outsourcing, and process changes leading to a considerable reduction in cost. The Credit Administration Unit completed the automation of five processes, while the Operational Support Unit automated seven processes, through a workflow system. An additional nine processes are currently in the development pipeline, and these ongoing automations will contribute to significant time savings
- 20 branches across the island adopted Robotic Process Automation (RPA) account opening systems, which resulted in time efficiencies for the respective staff at these branches
- Repaired and refurbished equipment to increase productivity

ATM	Network
	nothon

The Bank's ATM network serves as a key driver in Overall value proposition. Given that it remains one of the most heavily patronised customer touch point. Bank's ATM currently comprises of 184 on-site ATMs and 31 off-site ATMs.



	@	Þ	rên.	R.
Jaffna	6	6	1	2
Killinochchi	1	1	0	1
Mannar	1	1	0	0
Mullativu	1	1	0	0
Vavuniya	1	1	1	1
Total	10	10	2	4

	ŵ	Þ	িল্ল	R.
Anuradhapura	7	7	1	2
Polonnaruwa	4	4	0	0
Total	11	11	1	2

	m	Þ	rên	R.
Ampara	6	7	1	2
Batticaloa	4	5	3	2
Trincomalee	2	3	1	1
Total	12	15	5	5

	\$	Þ	শ্বি	R
Badulla	4	6	3	3
Monaragala	3	3	0	0
Total	7	9	3	3

Way forward

Our aim is to enhance our manufactured capital through sustainable practices and strategies that ensure long-term economic viability while minimizing negative impacts on the environment and society. Accordingly, we will focus on;

- Further strengthening branch performance and operational efficiency
- Increasing concentration on potential markets and 'New to Bank Accounts'
- Digital penetration targeting the youth demographic

HUMAN CAPITAL

Nurturing a people-first culture

Value created and preserved in 2023

- Total value added to employees – LKR 9.1 Bn
- Total investment in learning and development – LKR 82.8 Mn accounting for 132,313 training hours
- 312 promotions
- 442 new recruits

Capitals Impacted







Sustainable Development Goals (SDGs)



Our people management strategy focuses on delivering an unparalleled employee experience through diverse learning opportunities with rewarding and engaging careers. We believe in creating an inclusive environment that exudes a sense of belonging where everyone feels welcome and appreciated.

Key focus	Impact
Culture assessment, transformation and engagement	Staff engagement and recognition schemes fostering attachment towards the Bank and appreciation for going that extra mile
Talent development	Successfully executed the Board approved succession plan. Improved the Competency Index of the Bank by 5 units (2023-71% 2022-66%). Introduced new e-certifications to enhance the skills and competencies of the staff
Cost-effective staff composition	More career growth opportunities given for the existing staff and cost effective resourcing solutions
Managing the salary and benefits expectations of staff	Employee centered salary and benefit structures
Strengthening performance driven rewards schemes	Performance driven reward schemes were introduced to many business units
Retention and Replacement	Controlled staff turnover levels at 13% (average)

Team Profile

We have established a human resource strategy with a focus on building a diverse and inclusive culture. The total employee count of the Bank stood at 3,077 as at year end out of which 86% are full-time permanent employees.

Considering the high levels of employee turnover in the market and its impact, the Bank took proactive steps to create a competent multi-tasking workforce to manage critical functions. We also introduced a programme to fast-track employee career progression to motivate and retain the talented employees

Workforce by Province

Province	Staff count							
FIOVINCE	Permanent	Contract	Trainee	Total				
Central	175	2	13	190				
ochildi	179	-	6	185				
Eastern	98	11	13	122				
EdStelli	108	2	9	119				
Northern	76	2	6	84				
NOTUTETT	78	-	10	88				
North Central	89	4	2	95				
North Central	90	1	1	92				
North Western	140	11	16	167				
North Western	148	-	14	162				
0-1	114	3	10	127				
Sabaragamuwa	121	-	6	127				
0 11	143	1	14	158				
Southern	149	-	8	157				
	46	4	5	55				
Uva	44	-	4	48				
M/	1757	212	110	2079	= 2			
Western	1,917	195	66	2,178	2			



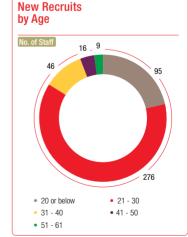
			2023	
		Male	Female	Total
Permanent		1,476	1,162	2,638
Orighter et	Sales Force	55	24	79
Contract	Other Contract Staff	64	107	171
Trainees		53	136	189
Total		1,648	1,429	3,077

Employees as of 31 December 2023



3,077 Staff strength 442 Recruits



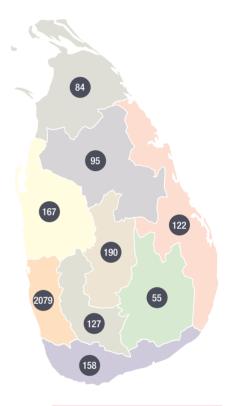


Movements in our talent pool

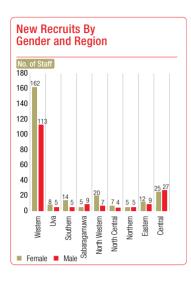
In the ever-evolving landscape of the Bank, the infusion of fresh talent is a testament to our commitment to growth and innovation. The latest additions to our team bring a wealth of diverse skills, perspectives, and enthusiasm that promise to shape the future of the Bank. Our strategy emphasises on building younger, diverse and future-fit talent. In 2023, Bank has recruited 442 new employees to the pool and approximately 84% of new recruits are below the age of 30 years.

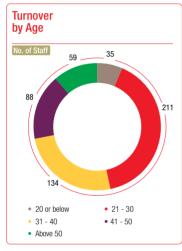
New recruitments by hierarchy

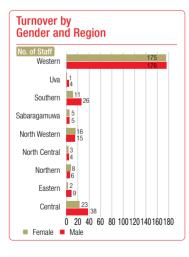
Male	Female	Total
1	1	2
12	11	23
25	16	41
146	230	376
184	258	442
	1 12 25 146	1 1 12 11 25 16 146 230



HUMAN CAPITAL







Employee development

Our unwavering commitment and investment in the development of our employees' skills and capabilities resulted in an average of 43 training hours delivered and an average of LKR 26,916 invested per employee in 2023. We believe it is vital that our teams remain competent and up to date in the knowledge and skills of their respective disciplines to provide a superior service to customers and other stakeholders.

We invest in growing our employees' capabilities using a combined approach of on-the-job training, coaching and mentoring as well as external trainings, which allows them to excel in their work and contribute meaningfully to the business. Continuing the practice of virtual trainings, which was implemented during the pandemic, we offered a significant portion of our trainings online. Our e-learning platform provides an extensive list of trainings ranging from technical trainings to soft skills development programmes.

Our senior leaders in essential roles have been enrolled in globally recognised executive leadership programs at premier business schools. These staff members received leadership training during the year which focused on helping our leaders better support their teams and be true culture and value champions.

Seylan competency index

- Our Competency Index covers permanent employees from Training Banking Assistant to Senior Manager
- Development of employees carried out in line with competency gaps identified in the 'competency profiles' for each job role
- Acquisition of competencies by the employees are measured, and a competency index is derived for each staff member which reflects the competencies they possess against the ideal competencies appearing in the competency profiles
- On an overall level, Seylan Bank's average Competency Index stood at 71.35% as at 31 December 2023

Details of training programmes conducted in 2023

	No. of programmes	Total hours	No. of participants
Internal - Classroom	85	50,402	3,498
Internal - Online	15	10,740	1,288
External - Local	68	2,607	247
Foreign	13	400	15
E - Learning	34	68,164	14,525
Total	215	132,313	19,573

Details of certifications

	No. of exams	No. of certifications completed in 2023	No. of staff who completed all required job certifications		
E-Certifications	16	2,875	2,484		

Training programmes by type

	2023						
	No. of programmes	Total hours	No. of participants				
General banking practice	88	43,950	3,323				
Professional development & service quality	17	9,478	383				
Communication and Negotiation Skills	8	1,900	238				
Marketing and marketing communication	16	6,380	865				
HR management, staff/personnel Development	9	925	118				
Compliance and specialized areas	43	1,516	121				
E-learning	34	68,164	14,525				
Total	215	132,313	19,573				

Total training and development cost

	2023 (LKR' 000)
Direct cost	42,801
Indirect cost	40,020
Total investment in training	82,821

With the aim of transforming operations into the next level of efficiency our employees were trained and certified in Lean Six Sigma at Yellow Belt and Green Belt levels. The training and certification was carried out inhouse by an experienced and certified Lean Six Sigma Master Black Belt professional.

Level of certification	No. of staff
Staff trained in Lean Six Sigma	58
Yellow belt certified	07
Green belt certified	06

Security officers based at our Head Office and across our branches are also provided with necessary training in terms of ethical requirements and other measures. All the security officers are outsourced from security firms. During the year, security personnel were given specific training on best security practices including weapons training, fire drill, duties and responsibilities, emergency and response procedures, customer care, discipline and standing orders and uniforms and appearance.

Performance management

Aligned with our strategic priorities, our talent management processes drive high performance across the organisation. Leaders play a key role in setting ambitious business plans and leading their teams to meet those goals, while demonstrating and encouraging accountability. Rewards are closely linked to performance outcomes, while career growth is linked to sustained high performance. All the permanent cadre staff are subject to performance-based appraisals at the end of the year.

Apart from the annual evaluations Seylan Bank conducts the Seylan Performance Awards and Sales Awards to acknowledge employees who have performed above and beyond the management's expectations. Employees who have gone the extra mile and made a value-adding contribution to their job roles or duties are given due recognition by their immediate supervisors. Employees with high performance levels are appreciated and the management informs teams of their achievements at the monthly staff meetings.

Developing digital skills

- Introduction of the digital champion concept at all branches to migrate certain standalone service to effective digital services
- Migrate a majority of knowledge-based training sessions onto online trainings
- Introduction of e-learning modules for areas which need repetitive access and broader employee coverage
- Introduction of e-based exams with online proctoring (invigilation) to certify
 possession of minimum competencies to carry-out key job roles
- Implementation of process improvement sessions on a monthly basis in order to embrace various digital platforms by the employees (such as QR codes, merchant pay solutions, internet banking, etc.)
- Introduction of the Artificial Intelligence (AI) concept and familiarization of AI tools

Promotions during the year

Category	Male	Female
Middle management	16	10
Operational management	81	41
Other	86	78
Total	183	129



Employee benefits

Guaranteed cash and other allowances

- Salary and other related benefits
- Half month's salary as holiday incentive
- Two months bonus (certain grades are subject to one month's fixed bonus and variable performance
- bonuses)
- Travelling allowances
 Special allowances for cashiers and employees located in difficult stations
- Holiday/weekend banking allowances
- Health incentive
- Lunch incentive (certain grades)

Variable pay

- Salary increments
- Performance based special bonus schemes for strategic business units

Sales incentives Reimbursable expenses

Professional/club subscription

- Reimbursement of telephone bills
- Financial support for postgraduate studies
- Honorarium

Subsidised loan schemes

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

Retirement benefits

- EPF/ETF
- Gratuity

VALUE CREATION

HUMAN CAPITAL

Medical benefits

- Comprehensive medical scheme
- Critical illness cover
- Life insurance cover
 Incentive for spectacles and dentures
- Incentive for speciacles and dem

Other benefits

- Holiday bungalows
- Death donation scheme
- Spousal support in the event of death

Several special benefits were also introduced as relief measures, in response to the challenges posed by the economic context and constraints faced by employees.

- Special relief incentive to compensate for the increase in taxes
- Flexible working hours for Head Office staff
- Arrangements to work from home/ nearest location

Employee engagement

During the year we implemented several strategic initiatives to enhance employee engagement and made a concentrated effort to build and strengthen bonds among our staff. Town hall meetings, skip level meetings, cross-functional meetings and the online idea scheme were some of the key initiatives carried out giving employees the opportunities to voice their ideas and suggestions. Thanking days were also held each month to appreciate the dedication and efforts of our employees. We also began publishing a newsletter covering areas of the Bank's performance against budget, branch/ area KPI achievements and new initiatives that are rolled out to keep our staff informed and up to date.

Directors 2022: 27%



Champions at Financial Market Quiz "SLFA Quest'23" organized by the Sri Lanka Forex Association

Health and well-being

We believe that our people are most productive when they are physically and mentally thriving, emotionally balanced, financially secure, and socially connected. Thus, at Seylan Bank, the health, safety, and well-being of our employees is of paramount importance. Occupational Health and Safety (OHS) processes and systems are built into the Bank's integrated sustainability framework ensuring the highest standards of occupational health and safety practices are adopted across our operations. We maintained our health and well-being efforts throughout the year to ensure our employees were safe and healthy and some of the key initiatives implemented and

continued are as follows:

- Mandatory fire safety measures have been implemented at all our business locations. The Bank's internal security department oversees the regular maintenance of fire safety equipment and undertakes the monitoring of the fire safety systems. Annual fire drills are conducted to educate and train employees to manage fire emergencies
- Facilitated the services of a nurse and a doctor at the head office premises to ensure employees have access to medical officers on request

There were zero fatalities or work-related injuries during the year under review.

Diversity and inclusion

Attracting and retaining the best talent from diverse backgrounds is key to building a high-performance culture and tackling the skills shortage. What makes Seylan Bank unique is its diversity of its people, and the range of skills that this diversity brings to the process of sustainable value creation. Inclusion is a way of life at Bank, and we collaborate with multiple stakeholders to build an equitable world for all where everyone feels welcomed and safe to bring their whole, authentic selves to work. As an equal opportunity employer, the Bank appreciate a gender inclusive recruitment policy and we do not engage in any form of gender-based discrimination when determining reward structures, providing opportunities for training or offering promotions.

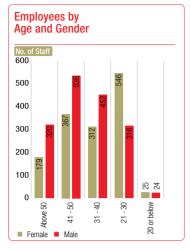
The following organisational practices and policies promote a diverse and inclusive culture for all employees.

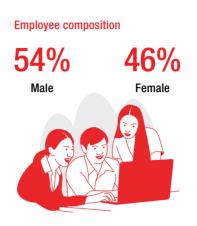
2022: 42%

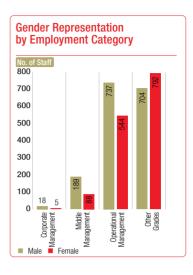
Practices		Policies					
Performance appraisal		 Staff Promotion Policy Staff Recognition Policy Staff Retention Policy Policy on Performance Management 					
 Equal pay 		Remuneration Policy					
 Employee development 		Training & Development policy	1				
Recruitment		 Policy on Succession Planning Human Resources Planning, Selection & Recruitment Management Trainee Internship 					
Best replacement		Staff Rotation PolicySecondment Policy					
Employee grievance handling /hara	ssment	Grievance Handling Policy Discrimination & Harassment Policy					
Employee Code of Ethics	Code of Ethics						
Work life balance		Employee Transfer PolicyAttendance and Leave PolicyWork from Home Policy					
33% Female members of the Board of	22% Females at leadership roles	58% Female hiring rate	41% Female promotion rate				

2022: 54%

2022: 21%







Employee remuneration by gender and hierarchy

	2023								2022							
	sa	ly basic lary ? Mn	No:	Staff	sa	ge basic Ilary R Mn	Salar	y ratio		Salary R Mn	No:	Staff	sa	ge basic lary R Mn	Salar	y ratio
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Corporate																
management	13.48	2.96	18	5	0.75	0.59	1.27	1	16.58	2.67	20	5	0.83	0.53	1.55	1
Middle																
management	54.72	25.50	189	88	0.29	0.29	1.00	1	44.52	21.48	161	79	0.28	0.27	1.02	1
Operational																
management	109.21	81.47	737	544	0.15	0.15	1.00	1	104.44	76.81	751	549	0.14	0.14	0.99	1
Other Grades	53.99	52.31	704	792	0.08	0.07	1.16	1	59.66	51.89	814	777	0.07	0.07	1.10	1

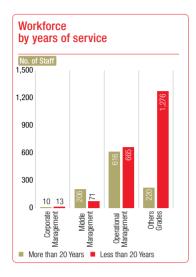
Employee representation by employment category, age and gender - 2023

	20 or	below	21 - 30		31 - 40		41 - 50		Above 50			
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Total	
Corporate Management	-	-	-	-	-	-	6	-	12	5	23	
Middle Management	-	-	-	-	12	8	87	35	90	45	277	
Operational Management	-	-	18	6	319	161	295	262	105	115	1,281	
Other Grades	24	25	298	540	121	143	148	70	113	14	1,496	

Employee composition by ethnicity and gender - 2023

Ethnicity	Male	Female	Total
Sinhala	1,454	1,230	2,684
Tamil	143	163	306
Muslim	27	20	47
Burger	12	9	21
Others	12	7	19
Total	1,648	1,429	3,077

HUMAN CAPITAL



Parental leave

Indicator	2023
Employees who went on parental leave	38
Employees who returned to work after parental leave	38
Return to work rate	100%

Grievance handling and whistle blowing

The Bank has a strong and efficient mechanism for resolving grievances built on a well-defined escalation process. We have established a "Log Your Concern" secure online portal on the Bank's intranet for employees to report grievances to reach the person in charge of handling such matters. The Bank is committed to responding to logged complaints within 48 hours of them being reported.

Furthermore, we have a Whistleblower Policy in place to enable all our employees and other stakeholders to report any concerns anonymously. At the Bank, we do not engage in or tolerate retaliation of any kind against anyone for providing information in good faith about suspected unethical or illegal conduct, including fraud, regulatory violations, possible violations of policies, including the Code of Conduct and other inappropriate workplace behaviour.

The Bank's human rights policy

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

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

The Bank's governance framework and work practices include a zero-tolerance policy on discrimination, sexual harassment, child labour, and forced labour and strict policies to safeguard the human rights of employees. The Bank's human resource management team ensures compliance with all laws and regulations related to employment and labour practices of the country.

 There were zero incidents of discrimination or non-compliance with labour laws during 2023.

Anti-corruption

The Employee Code of Conduct articulates the standards of professional conduct and ethics we expect our employees to absorb and guides them to adopt practices that promote anti-bribery and corruption-free business, anti-money laundering, among other aspects linked to ethics. Furthermore, our Anti-Bribery and Corruption Policy clearly define the policy boundaries and the related procedures on gifts, hospitality related expenses and defines unacceptable behaviour and activity relating to bribery and corruption to ensure that risks deriving from those within Bank's business are properly identified, mitigated and managed.

• Zero incidents of corruption were identified during the year.

Freedom of association and collective bargaining

83% of the Bank's employees belong to trade unions and are covered under collective agreements. Despite the external environmental constraints, the HR team maintained proactive engagement with all trade unions during the year, successfully obtaining their collaboration and support in implementing new work practices, ensuring the safety of employees and reaching mutually agreeable terms on other employee-related matters.

Pending litigations

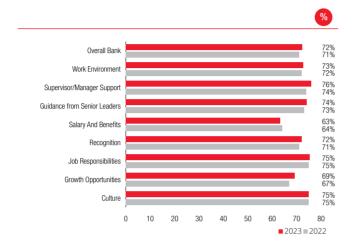
All pending litigations against the Bank are reported in Note 48 of the Financial Statements.

Minimum notice period

We have established a standard of three months' notice to be provided in respect of senior level employees and one month's notice in respect of all other employees when resigning from the Bank. This approach has supported us to minimise any adverse impacts in serving our customers and ensuring uninterrupted services without any disruptions to our operations.

Staff satisfaction survey

Listening to colleagues allows us to obtain insights into what we are doing well and areas where we need to improve. Our annual employee satisfaction survey measures employee considerations across a breadth of topics including engagement, organisational culture, including the mindset and values, wellbeing, inclusion and working practices and tools. Results from our surveys and other employee engagement mechanisms were shared with colleagues and discussed with the Board and management.



Way forward

Our aim is to further strengthen the initiatives taken during 2023 and maintain the same momentum. Additionally, we will focus on the following during 2024;

- Competency-driven learning culture
- Implementing Agile HR practices with flexible processes and practices
- Implement digital tools that enhance employee collaboration and productivity
- Artificial Intelligence (AI) empowered workforce evaluations
- Shifting work-life balance to work-life fit with flexible working environment
- Creating a culture for employee engagement and retention in a highly volatile talent market
- Customize benefits to cater to diverse employee needs

SOCIAL AND RELATIONSHIP CAPITAL

Making a difference

Value created and preserved in 2023

Customers

- Positioned ourselves as the customer service leader through surveys and brand endorsements
- Created business through enhancing customer value while ensuring customer satisfaction
- Implemented simplified processes to gauge customer feedback
- Holistic internal customer engagement throughout the year

Business partners

- Onboard new to bank export customers and strengthen the relationships
- Implemented measures to reduce cost and prevent revenue leakages
- Strengthen sound governance process and adopt best practices

Community

- Supported our communities through impactful CSR initiatives. Total investment in Community related investment amounted to LKR 16.48 Mn
- Granting 3,896 number of NCRCS loans
- The SLIM national sales awards with 7 wins
- 05 regional workshops for SME clients on capacity building and financial literacy/discipline with the partnership of IFC

Capitals Impacted



Sustainable Development Goals (SDGs)





Our social and relationship capital represents the longstanding relationships we have fostered with our customers, suppliers, business partners and communities, which enable the continuity of our operations while strengthening our social license to operate.

Delivering value for our customers

We foster bonds with our customers, and we strive to grasp their expectations and needs. We design and deliver solutions that help our clients to make better financial decision.

By leveraging the technological advances made in the digital space, we constantly aim to provide a superior user experience to our customers. We're committed to provide the best customer experience and protection for our esteemed clients by implementing advance technology and industry leading processes.

Key highligh	its		
202 direct	Branded as the	Scored the 2nd	Revolutionized
customer	best customer	highest average	Customer Feedback/
touch-points	care bank in	(78%) among 3	Complaint
(Banking	Sri Lanka - by the	competitors at the	Management through
Centres & Off-	'World Economic	annual mystery	the paperless
site ATMs)	Magazine'	shopper survey	QR-based solution

Enhancing customer experience

During the year, we implemented various customer experience and engagement initiatives to proactively address the evolving needs of our customers. Customers increasingly look for more convenient, simpler ways to bank that fit their lifestyle, including banking digitally. We invested in digital solutions and upgraded our physical locations for greater accessibility and convenience.

Process

- Introduced a QR based customer Feedback Management System with a new complaint management process
- Implemented 'Voice of Customer' initiative to better understand customer requirements
- Introduced customer health check survey for new current & savings accounts over LKR 100,000

Performance

- Call centre recorded the highest consistent service levels
- 14,585 large credit card transactions converted to easy payment plan (EPP) through call centre

People

- Introduced service excellence awards for employees
- Continuous on-site and on-line customer service training sessions for front line staff by in-house and external facilitators
- Introduced several initiatives including an e-story book of customer commendations, on-line quizzes and games and thank you cards to celebrate wins

Helping when it matters most

We have a long history of helping customers through life's uncertainties, from major economic downturns and natural disasters and personal crises. 2023 has been no exception. Our team stood behind our customers through the uncertainty created by the volatile economic conditions as we navigated through surging inflation, rising interest rates and the overall rise in cost of living. We offered tailored solutions ranging from short term to long-term arrangements, term extensions and varying or deferred loan repayments while also offering specialist advice on better financial management. The Bank operates on the premise of responsibility towards the well-being of customers through informed financial decision-making that is never compromised by physical conditions. As such we,

- Train our employees to greet and speak with all customers in a friendly and helpful manner
- Pay attention to customers who require additional assistance and guide them through the banking process
- · Ensure that all branches are designed to offer wheelchair access and easy navigation

Providing round the clock support

In today's dynamic and fast-paced business environment, providing round-the-clock support to customers has become a crucial element for success. We recognize the significance of being available to address customer queries, concerns and issues promptly. This commitment to constant availability not only enhances customer satisfaction but also establishes a competitive edge in the market.

Support capabilities

24x7 customer care - voice, e-mail and chat hotline to attend to inquiries, complaints, essential operations and escalations.

Installed QR based Feedback

boards at all our banking

Management Systems (FMS)

centres, kiosks and offsite ATMs, so that our clients can

preferred language.

communicate with us in their



Maintained high standards in customer service excellence.

Indicator	Achievement
Service level	89.3%
Abandoned rate	1.8%

Customer grievance redressal procedure

Customers are our priority, and we always strive to respect their needs and ensure fair treatment. The grievance handling policy and processes are well defined and provide guidance on handling the process from the point of complaint to escalation, across different authority levels until settlements are amicably reached. Grievance handling contact details are published in the web, branches and our customers can register complaints through branch visits, phone calls or e-mail. Our website and mobile banking application also enable customers to submit complaints. Every customer is allowed to speak to the financial ombudsman if required and all necessary details are made available at our delivery points for easy customer reference.

Listening to our customers to improve experiences

Listening to customers is a fundamental aspect of our business strategy. We have established various channels through which customers can provide feedback, such as surveys, social media, customer support lines and email. Based on the feedback, preferences and concerns we prioritize and implement changes to continually improve our products or services. We also share the 'Voice of Customer' report prepared by the call center among relevant stakeholders with customer insights to identify the areas for improvement and change. Furthermore, random quality audits and customer satisfaction surveys are carried out by the management to ensure accuracy of information and provide a better experience for customers.

SOCIAL AND RELATIONSHIP CAPITAL

Internal customer satisfaction survey for newly opened current accounts and savings accounts with opening balances over LKR 100,000

Net Promorter Score of 93.37%

- Scored the second highest average (78%) among 3 competitors in the 12th consecutive survey
- Average Customer Satisfaction Survey (CSAT) Ratio 95%

Complaint resolution satisfaction survey conducted monthly

Annual mystery shopper survey

Product labelling and marketing communications

The Bank's Product Development Committee is responsible for governing all products and services including the review and approval of product designs and features before new products or rejuvenated products are launched. The Bank uses a trilingual mode of communication in spoken and written to ensure our communications are easily understandable by our diverse customer base. We are bound by business ethics and fair-trade policies and our advertisements do not carry information that is not true.

Customer privacy

As technology continues to advance, the collection and processing of customer data have become increasingly crucial. To safeguard privacy, we have implemented robust policies, protocols and a secure infrastructure. These measures ensure that customer information is handled with utmost care and confidentiality. We also provide ongoing awareness and training to both customers and employees covering various topics, such as anti-money laundering, data privacy protection and anti-bribery and corruption.

Sale of banned or disputed products

The Bank adheres to a stringent approach, ensuring that our products and services align with regulatory standards. We operate in compliance with the Central Bank of Sri Lanka Customer Charter, which outlines guidelines for fair and transparent practices.

Our offerings undergo rigorous scrutiny, adhering to regulations and avoiding any contentious or disputed elements. We prioritize accurate information, and our products are duly registered, devoid of misleading details.

By maintaining this commitment, we foster trust with our customers and uphold the integrity of our services.

Product Portfolio

Deposit Products		Description	Value Delivered	Markets Served
Rewards for precious moments in life	Seylan Mega Rewards	Offers definite benefits for personal savings, current accounts, personal foreign currency savings and foreign currency fixed deposits	Interest and reward benefits	Individuals aged above 18 years
	Seylan Tikiri	Accounts for little ones	Interest, rewards, gifts and bonus interest benefits	Children below 15 years of age
Haragara	Seylan Harasara	Financial solutions for senior citizens	Interest, reward, benefits, merchant discounts and pension loans	Senior citizens aged above 55 years
RSC Seylan Money Market Savings Account	Money Market Savings Account	Short-term savings account with higher interest rate	Interest benefits	Corporate, individual clients and collection accounts of institutions
Millennium 30	Millennium 30	30-day fixed deposit	Interest benefits	Corporate, SME, retail and individual clients
FLEE FIXED	Seylan Flexi Deposit	Allows depositor to select the time period of the fixed deposit	Interest benefits, flexibility	Corporate, SME, retail and individual clients
SEYLAN SHAKTHI 4 YEAR FIXED DEPOSIT	Seylan Shakthi	4-year fixed deposit	Interest and reward benefits (in addition to interest, eligible for utility payment vouchers)	Retail clients
55FXED DEPOSIT	Seylan 5 Star	5-year fixed deposit	Interest and reward benefits (in addition to interest, customers are eligible for utility payment vouchers)	Retail clients

Deposit Products		Description	Value Delivered	Markets Served
Seven	Seylfie	Youth account	Rupee interest, digital interest and reward benefits	Youth aged between 18-26 years
Seylan myplan Begin Kour Alecen >	Seylan myplan	Savings account with monthly fixed saving commitment	Interest benefits	SMEs, business clients and individuals
SEYLAN RED	Seylan RED	Priority Banking Membership	A dedicated Relationship Manager along with concierge service and an array of dynamic benefits	High net worth individuals
	Seylan Accelerate	Savings account for monthly regular income earners	Interest and reward benefits	Individuals who earn a regular monthly income

Lending Products		Description	Value Delivered	Markets Served
BOD BC- CONS	Seylan Home Loans	Home loans up to LKR 100 Mn to purchase a bare land, purchase, construct or renovate a house or to purchase a condominium apartment	Fixed interest rates, documentation support and advisory with doorstep service	Primarily salaried individuals, professionals and businessmen
SEYLAN LOAN AGAINST PROPERTY The multi purpose loan	Seylan Loan Against Property	Loans made available against your residential property to upgrade your lifestyle, grow your business or for investments	Fixed interest rates and doorstep service	Salaried Individuals drawing a monthly fixed income over LKR 50,000 with residentia property under their name
SEYLAN LEASING COUNT CARD	Seylan Leasing	Finance leases for vehicles, motorcycles, machinery, plant and equipment	Fixed interest rates with a flexible repayment structure and approval within a day	Corporate, SME, retail and individual clients
SEYLAN Personal Loans	Seylan Personal Loans	Personal loan for any related purpose	Fixed interest rates, doorstep service	Salaried individuals employed at reputed companies, professionals, government servants and armed forces
	Seylan SME	Specialised loan scheme for SME sector	Interest benefits	SME clients
SEVLAN	Scholar Loans	Unique higher education loan scheme	Fixed interest with a longer repayment tenure	Individual clients
SWIPE FOR LIFE	Seylan Credit Cards	Visa, Master credit cards	Interest benefits, rewards and merchant discounts	Individual clients
	Trade Finance	Imports and exports	Commission and interest benefits	Corporate, SME, retail and individual clients
SEYLAN Factoring Realizing tomorrow's cash today @	Seylan Factoring	Provides working capital requirements against trade receivables	Generates working capital	Corporate, SME, retail and individual clients
Gold Ioan	Seylan Gold Loans	Instant short-term loan facility against gold articles	Interest benefits	Proprietors of business concerns and individuals
	Seylan Solar Loans	Loans to purchase a roof top Solar	2 day approval Fixed interest rates Discounts and offers from reputed solar vendors	Salaried individuals employed at reputed companies, professionals, government servants and armed forces

SOCIAL AND RELATIONSHIP CAPITAL

Other Offerings		Description	Value Delivered	Markets Served
24×7 SMART BANKING	Seylan Interenet & Mobile Banking	Able to carry out a variety of banking functions at their convenience by the click of a button	Low charges and 24x7x365 accessibility	Corporate, SME, retail and individual clients and credit cardholders
CASH	SEY Cash	Bank's remittances platform	Commission benefits	Individual clients
24×7 SMART BANKING	SMS Banking	Opportunity to carry out selected banking functions via SMS	Free up to a number of SMSs and convenience	Corporate, SME, retail and individual clients and credit cardholders
	Overdrafts	Overdraft facilities for personal and corporate current account holders	Interest benefits	Corporate, SME, retail and individual clients
SEYLAN	SeylanPay	SeylanPay is a mobile application that offers customers a seamless and secure transactional experience	All your Accounts and Cards in one place, Instant and Contactless	Customers, merchants
pay direct	Pay Direct	Seylan Pay Direct enables organizations to complete their financial transactions	Ease and convenience through an efficient, hassle-free manner without stepping into a Bank	Corporates
	Loan Scheme for Pensioners	Specialised banking service for pensioners up to a maximum loan amount of LKR 2.5 Mn	Fixed interest rates	Government pensioners
	Safety Lockers	Allows customers to keep their valuable assets safely	Safety of assets	Corporate, SME, retail and individual clients
	Merchant portal	Seylan payment portal is an all one and multipurpose payment portal that brings you all your online payment acceptance needs to your doorstep	Facilitates on line transactions	Merchants without a website or shopping cart
	Internet Payment Gateway (IPG)	A payment gateway is a technology merchants use to accept card payments (debit or credit) to collect funds from customers online	Dedicated On line payment 24x7x365	Merchants

STRENGTHENING BUSINESS PARTNERSHIPS

As an integral part of our business strategy, effective collaboration with partners plays a pivotal role and thus, we remain dedicated to fostering strong, mutually beneficial partnerships. Our long-term relations with our business partners including suppliers and global banks have played a pivotal role in enhancing product and service quality, improving reliability, cost savings, and increasing our overall efficiency.

Key actions taken to strengthen business partner relationships during 2023

- Onboarding new to bank export customers through the Export Expert campaign
- Conducted training sessions for branch staff covering areas such as foreign exchange transactions, international trade payment, export facilitation and structuring of exporting financing

• Strengthen sound governance process and adopt best practices

Supplier evaluation and procurement process

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

Engagement with suppliers of branch vicinity

protocols and plans regular meetings for collaboration and relationship management. This collaborative and transparent approach to supplier management contributes to a resilient and responsive supply chain, ultimately benefiting both parties.

As part of our commitment to sustainability, we plan to sign supplier declarations with major suppliers in the future and expect to strengthen our collaboration with them in terms of social and environmental responsibility.

Depiction	2023 LKR Mn	2022 LKR Mn
Tea and Coffee	58.7	39.5
Subsidised lunch for staff	32.3	23.5
Supply of foliage/maintenance of fish tanks	3.2	2.2
Janitorial and courier services	121.5	119.5
Repair and maintenance	62.5	30.9
Drinking water	17.4	12.8
Newspapers	1.9	2.5
Security	391.8	315.4
Total	689.3	546.3

Global Banking Partnerships

Asian Continent

China

Shenzhen

Shanghai

India

Chennai Bank of Ceylon

Standard Chartered Bank

Mumbai

Agricultural Bank of China Limited (ABC)

Standard Chartered Bank

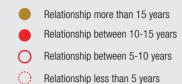
India

Bank

Mumbai

Indian Bank

Indian Overseas



Middle East Continent



Australian Continent

North American

New York JP Morgan Chase N.A

USA

New York Habib American Bank

Continent



South Korea

KB Kookmin Bank – South Korea

South Korea

Korea Exchange Bank

Canada Toronto Royal Bank of Canada

USA

New York Deutsche Bank Trust Company – NY

Philadelphia

New York

Mashreq Bank

New York Standard Chartered Bank

Wells Fargo Bank

Seoul

Hongkong

Hongkong Standard Chartered Bank

Bangladesh

Standard Chartered Bank

Dhaka

Japan

Tokyo Standard

Chartered Bank

Pakistan

Karachi

Standard

Singapore

Chartered Bank

Standard Chartered Bank

Overseas Chinese Bank Corporation

Seoul

European Continent



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SOCIAL AND RELATIONSHIP CAPITAL

Membership in associations

The Bank holds membership in a wide number of industry associations to harness strength and partner for the mutual benefit of the industry as mentioned below.

Professional bodies	The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
	Chartered Institute of Management Accountants (CIMA)
	Association of Chartered Certified Accountants (ACCA)
	Certified Management Accountants (CMA)
	• The Institute of Bankers of Sri Lanka (IBSL)
	Chartered Institute of Taxation of Sri Lanka
	Association of Banking Sector Risk Professionals
Regulators	Central Bank of Sri Lanka (CBSL)
	Securities and Exchange Commission of Sri Lanka
	Colombo Stock Exchange
	Inland Revenue Department
Business Collaborations and Other	The Ceylon Chamber of Commerce
	The National Chamber of Commerce Sri Lanka
	Lanka SWIFT User Group (LSUG)
	LankaPay (Pvt) Ltd
	Association of Professional Banks Sri Lanka (APBSL)
Industry associations	Financial Ombudsman Sri Lanka (Guarantee) Limited
	Association of Compliance Officers of Banks, Sri Lanka
	Sri Lanka Forex Association
	The Sri Lanka Banks' Association (Guarantee) Limited
	Credit Information Bureau (CRIB)
	The Clearing Association of Bankers
	The Employers' Federation of Ceylon
Environmental conservation institutes	Biodiversity Sri Lanka
	Global Sustainable Finance Network

Building community resilience

Building resilience through community investment

Building resilience through community investment is a strategic approach that foster mutual benefits while strengthening the long-term sustainability and success of our Bank. Community investment involves allocating resources, financial or otherwise, to support initiatives that contribute to the well-being and development of the local community around our business domain.

We believe that education is an enabler of positive social change where our 'Seylan Pahasara' project continues to be the instrument and the cornerstone of our CSR initiatives;

LKR 5 Mn investment on Hope for Life.	06 new libraries established under the 'Seylan	Sponsorships provided for education frontiers
An Ambulance Donated to "Suwaseriya"	Pahasara' library project brings the total count	embracing education / religious core existence
Foundation	to 225. Our aim is to increase this to 300 by 2026	

LKR 16.48 Mn on Community Investments paying due attention to the need for social wellbeing and community.

Opening of 'Seylan Pahasara' 225th Library



Launched a decade ago, this CSR initiative aims to establish libraries in deserving schools across Sri Lanka, to improve the quality of education and foster reading habits among students. This year we marked the opening of the 225th library at Dharmashoka Primary College, Maharagama, coinciding with Seylan Bank's 35th Anniversary.

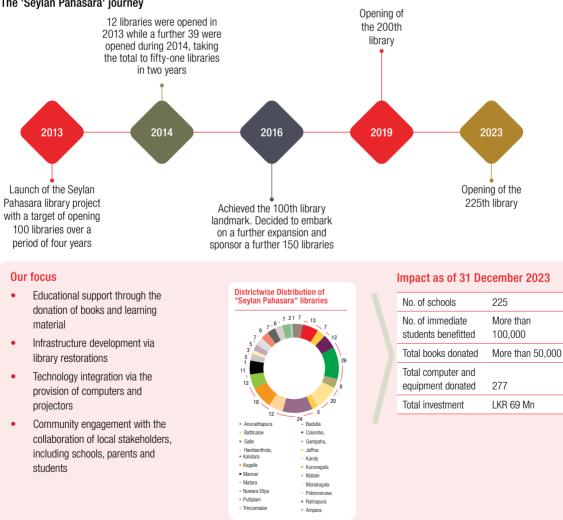
Seylan Pahasara is instrumental in building a conducive learning environment for students in

The 'Seylan Pahasara' journey

rural schools where infrastructure including computers and multimedia projectors, books and virtual resources are offered in line with the curriculum and embracing the concept of total quality education. This initiative has also vielded dividends as a unique meeting point to connect with school authorities, parents and students, where our interactions provide a channel to improve financial literacy and establish reach to formal financial channels.

Over the years we have received positive testimonials from the education office, principals, teachers, parents and students on the value delivered as mentioned above. This has motivated us even more to further strengthen this initiative and increase the number of libraries from 225 to 300 within a timeline of three years coupled with the piloting of an E-Library concept.

"Seylan Pahasara" commenced on the day we were celebrating our 25th anniversary with a formidable mandate of competing 100 libraries with a timeline of 4 years. However, resonating response received from the education office, principals, teachers, parents and students, the board sustainability subcommittee went to the board and extended the timeline and the number where 225 landmark was reached when we celebrated our 35th anniversary. We are proud to acclaim that the mission was more than a deed of unleashing potential to hundreds of thousands of needy students who learn today in schools island-wide as well as the ones who are yet to join the school tomorrow.



Way forward - Through this project we have made salient strides in improving access to quality education and fostering socio-economic development. As we reflect on our achievements and challenges, we reaffirm our commitment to driving positive change and creating a brighter future for generations to come.

SOCIAL AND RELATIONSHIP CAPITAL

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

Purpose centric sponsorships

Description	Focus	Amount LKR Mn	Major Category	Pro-bono (P) / Commercial (C)
Deeds on social welfare, recreation, and health	Communal CSR for potential relationships and collective efforts	9.50	Community	Р
Help grooming students in total quality education	Commitment to foster responsible citizens with positive attitudes	0.58	Education	Р
Infrastructural assistance on religious and cultural observations	Peace and prosperity	1.71	Community	Р
Programmes to promote exports and entrepreneurship	Nurturing common mandates of entrepreneurship and exploring potential export opportunities	0.27	Community	P, C
Sports and outbound activities in schools and working professionals	Collaboration with professional, academia and other potential entities	2.27	Education	P, C
Total		14.33		

· Financial resilience: helping communities prepare financially during a cost-of-living challenges

Financial resilience is crucial for individuals and communities to navigate and withstand the challenges posed by the cost-of-living crisis. The ability of communities to prepare and manage their finances effectively is a critical aspect of overall resilience and we consider it as our overarching responsibility to guide and empower people with the knowledge and skills needed to navigate financial challenges. Carrying out financial literacy programmes, facilitating access to financial services, job training and employment support, debt management guidance and financial counselling have been key components of our financial resilience agenda during 2023, as we contribute towards building a foundation for long-term economic stability.

External customers

- Refinance and subsidised loan scheme
- Card discounts offered for daily needs, hospitalization, recreation and etc.
- 10 Capacity and financial literacy building programmes for SMEs across 8 districts island-wide

Internal customers

- Card discounts offered for daily needs, hospitalization, recreation and etc.
- Affiliation with education institutes on offers with slashed course fees, discounts and etc.
- Honourariums for educational excellence

Dinana Aya Women Entrepreneurs Forum



Seylan Bank is committed to building a better tomorrow for our nation. Women, who make up almost half of our community, are a major driving force of the households and country's potential socio-economic advancement. Women entrepreneurs embody the unwavering will and leadership of entire Sri Lankan women population. Our aim is to strengthen them with knowledge and financial empowerment as the propel to reach beyond horizons. Dinana Aya" programme provides the essential financial know-how to women entrepreneurs and implant the seeds towards a fruitful future where women-led enterprises usher our country's development trajectory.

There were 10 programs conducted and amongst the audience were number of matured women and youth who were educated with entrepreneurial knowledge and skills to unfold little by little business opportunities to reap mutual benefits while also creating space for employment generation.

Seylan Tikiri Pola



We organised the Seylan 'Tikiri Pola' event across Kandy, Aralaganwila and Matale to provide students with valuable hands-on experience in financial literacy, where they engaged in a wide range of activities covering money, market dynamics, exchange, goods and services in very little steps and ways. It was a day of learning, growth, and empowerment as these young minds took their first steps towards a financially literate future.

Refinance and subsidy schemes as a mode of blended finance for inclusivity

			Loans Granted in 2023		Loans Granted in 2022	
Refinance Scheme	Donor	Eligible Sectors	No.	Amount LKR Mn	No.	Amount LKR Mn
Asian Development Bank SME Line of Credit	Asian Development Bank	Small and Medium Entrepreneurs	81	1,508.64	62	1,281.56
Asian Development Bank Credit Line for Covid 19 Emergency Response Working Capital Scheme	Asian Development Bank	Businesses / entrepreneurs affected by Covid-19 pandemic	65	515.47	24	125.50
Environment Friend Solution (Revolving Fund) II	Japan Bank for International Corporation	Any industry which intends to reduce pollutants / waste	1	0.95	1	21
Kapruka Refinance Loans	Coconut Cultivation Board	Coconut cultivation	14	20.82	5	5.11
Asian Development Bank tea loan	Asian Development Bank	Tea small holders	149	261.58	40	106.79
Asian Development Bank Rooftop Solar Power Generation Project	Asian Development Bank	Solar power Generation	2	1.16	0	0
Saubagya Loan Scheme	Government of Sri Lanka	Small and Medium Entreprenuers	29	129.67	35	227.07
Small & Micro Industries Leader & Entrepreneur Promotion Project III - (SMILE III Revolving Fund)	Japan Bank for International Corporation	Small and Medium Entreprenuers	76	907.35	1	13.95
Interest subsidy loan scheme						
New Comprehensive Rural Credit Scheme (NCRCS)	Government of Sri Lanka	Agriculture / Cultivation	3,896	1,308.81	2,148	504.53

Assistance provided to SME and micro sectors

	Year		
Details of SME Loans	2023	2022	2021
Total no. of clients	20,818	22,522	19,510
Loan portfolio (LKR Mn)	98,349	82,996	92,628
Details of Micro Finance Loans			
Total no. of clients	8,514	5,226	8554
Loan portfolio (LKR Mn)	1,992	587	770

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SOCIAL AND RELATIONSHIP CAPITAL

Communal health and resilience

Boosting and strengthening our primary healthcare infrastructure was identified as an important need for their emergency health concerns. Seylan Bank stepped forward to finance the purchase of an ambulance worth LKR 5Mn in the form of a donation to the 'Suwaseriya' Foundation.

Our compliance and due diligence

Compliance	Level/status of compliance and action taken
Percentage and the total number of business units analysed for risk concerning corruption and the percentage of employees trained in the Bank's anti-corruption policies and procedures.	Prevailing gaps, if any, on training and development needs are identified through audit trails. Provide training programmes which enforce and reinforce good Corporate Governance internally. Code of conduct is signed by every employee and shoulders the responsibility herein.
Action(s) taken in response to incidents of corruption	Stringent internal controls and protocols, audit procedures, and staff disciplinary codes enforced across every operation and stakeholder engagement activity.
Participation in public policy development.	At the invitation of the Government, the Bank presents proposals and engages in formulating new policies for consideration and inclusion in the Government Budget and tax laws, Sustainable Banking Initiative of the SLBA, development of sustainable financing roadmap of Central Bank of Sri Lanka, and implementation of Accounting Standards
The total value of financial and in-kind contributions to political parties and politicians.	No contributions were made to political parties or politicians. All business of the Bank was conducted at arm's-length. The Bank has a policy on politically exposed persons and maintains a strict adherence to the same.
The number of legal actions taken for anti-competitive behaviours.	The Bank consistently complies with the country's laws and regulations in conducting its marketing campaigns. Truth and transparency in advertising are followed when displaying banners, conducting sales campaigns, roadshows, and using public address systems. No legal action was taken against the Bank for anti-competitive behaviour during the year.
The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations.	All laws and/or regulations applicable to the Bank were compiled with, except for fine paid for LKR 1 Mn on non-screening of a guardian who has opened an account for a minor. To strengthen effective monitoring, a monthly compliance report is tabled at Board meetings.

Training related to governance and compliance*

	2023		
	No of Programmes	No of Participants	
Internal/External/Foreign total	215	19,573	
General banking practices	88	3,323	
Anti-money laundering/KYC	3	1,043	
System Security	1	1,010	
Accounting/Auditing/Compliance and Other specialized areas	43	121	

* Aligned with the contents of "Our compliance and due diligence"

Way Forward

- Steps to be taken to canvass trade clients from diversified fields enabling us to have a diversified portfolio of clients
- Automated balance check Interactive Voice Response (IVR) & SMS push to be implemented
- Digital signage platform to promote customer awareness through videos
- Carry out negotiations with Asian Development Bank to partner the "Trade Finance Program (TFP)" where ADB will extend funded and non-funded credit lines at relatively low pricing so that partner banks could reach out to more trade clients world over
- Establish remittance tie-ups with new partners in emerging markets
- Approaching Fintech service providers to collaborate with Bank to process remittances
- D Tie-up with Lanka remit to receive remittances via their mobile app originated using visa/master cards
- Centralize the procurement function in the Bank and handle procurement through central Services Department to further improve the visibility of procurement activities

INTELLECTUAL CAPITAL

Driving innovation and growth

Value created and preserved in 2023

- Strengthened our current digital services focusing on three main pillars: Online, Digital transaction and E-commerce revenue to enhance our value proposition
- Introduced more locally developed solutions
- Revamped products and services by implementing automated processes for investment banking, merchant banking rentals and by introducing robust charging models for digital channels

Capitals Impacted



Our brand legacy

Our brand legacy encompasses the cumulative impact, reputation, and enduring influence that we have built over our 35 year history. Our aim is to nurture a strong brand legacy that excels individual products or campaigns and creates a lasting imprint in the minds of consumers and positions us as a trusted Companion. Throughout its journey the Bank has deeply understood customer needs, translating 'The Bank with a Heart' tagline into tailored financial solutions.

Our brand legacy was further strengthened upon securing the top rank in LMD's Customer Excellence Survey for the fourth consecutive year, showcasing our unparalleled service quality in Sri Lanka's Banking sector. This survey, with over 2,800 The Bank's intellectual capital represented by its unique base of tacit knowledge, organisational structures and brand is a source of competitive advantage in the evolving business landscape. It is pivotal to sustainable value creation and a key contributor towards profitability and productivity. The Bank strives to innovate and adapt to the dynamic digital era, through advanced technology, data analytics, and artificial intelligence, leveraging on the skills and knowledge of its employees over the years.



responses, solidifies Seylan Bank's position as the preferred choice for exceptional service, affirming its continued commitment to superior customer experience and deeprooted customer-first policy.

As a brand, Seylan Bank continuously serves as a catalyst for positive change. Following are some of the campaigns carried out during 2023.

E-VOLVE campaign

At Seylan bank, our greatest competitive advantage lies in the exceptional strength of our dedicated staff and the enduring relationships they have created with our valued customers. Over the years, our

INTELLECTUAL CAPITAL

team has accumulated tacit knowledge, complemented by the fresh perspectives brought in by new staff members, creating a dynamic knowledge ecosystem within the bank. Committed to continuous improvement, we prioritize training and development initiatives that not only enhance our team's skills but also foster a culture of innovation and growth. Therefore with the vision to simultaneously educate and drive business, we launched E-VOLVE 2023 - a comprehensive plan designed to simultaneously educate our staff and customers. By nurturing knowledge and fostering a culture of learning, we pave the way for sustained success and meaningful progress in our evolving industry.

The campaign was launched on 01 June 2023 to increase Seylan Online banking (both Corporate and Retail), Mobile Banking and SeylanPay activation and usage via internal and branch staff. The campaign concluded on 31 Aug 2023 and was able to bring more than 30,000 customers onboard.

Campaign outcomes

- Increased digital penetration from 15% to 22%
- Onboarded more than 30,000 customers by the end of the campaign
 Retail IB/MB registrations 30,075 and Corporate IB

activations SeylanPay creations 5,966

 Created greater awareness among staff on digital solutions, making them strongly believe in the digital transformation journey



SEYLAN



Facebook	Financial sector as the first bank to achieve this milestone
YouTube	Seylan YouTube channel has mainly focused on creating awareness to Seylan and Non seylan customers on financial literacy, also how to video series on Digital products creating knowledge & focusing on customer testimonials to share success stories which have helped us secure 5th rank of followers among other competitive banks.
Instagram	3rd highest number of followers on Instagram among local banks. Focusing mainly on the products campaigns, seasonal offers that have resulted gaining 23,700 followers.
LinkedIn	Seylan bank LinkedIn has been active with the newest initiatives we have done, awards, life at seylan and job vacancies achieving a 54,626 total followers
Tik tok	Seylan bank is the top 4 most engaging profiles on tik tok in the banking sector with 8,513 followers & 39,500 overall likes, spreading awareness on the financial literacy and also engaging staff to create content to show case life at seylan.

Ranking Seylan 74th in the world for social media channels

https://thefinancialbrand.com/top-100-social-media-banking/top-100-banks-using-social-media/



Signfluencer Campaign



Seylan Bank introduced Sri Lanka's first 'Signfluencer' with the aim to advocate recognition for sign language and support the user community by creating an opportunity to unlock their potential in the social media platforms.

Seylan Bank's Signfluencer campaign creates a spotlight on the need to acknowledge the hearing-impaired community and provide effective communication channels to understand their requirements. In addition to better serve this important community, Seylan Bank aims to ensure banking is more inclusive, removing barriers to financial access and participation, while bringing about positive change in their lives.

Launching the campaign, Seylan Bank introduced Nikita, Sri Lanka's first 'Signfluencer. Nikita advocates raising awareness of sign language as an official language and aims to eliminate isolation among the hearing-impaired community, fostering inclusivity in people's hearts.

As the initial stage in raising awareness and promoting recognition for this community among society, Seylan Bank invited everyone to connect with Nikita by sending a direct message (DM) via any private or public Instagram profile and learn how to sign their name in sign language. The Bank also requests individuals to share videos of themselves signing names in sign language. Seylan Bank firmly believes that the simplest act of introducing oneself by using sign language can significantly increase awareness for the cause.

Seylan Bank as an enabler is committed to expanding its efforts beyond this campaign, with plans to conduct financial literacy programs and product briefings using sign language, further enhancing its reputation as an inclusive bank that truly has a heart for all.

Leveraging technology and innovation

The rise of consumer digital preferences and increased fin-tech competition is fueling an eruption of digital investment in banking and payment systems. Seylan Bank aims to leverage technology to offer customers a seamless and personalized banking experience and our strategy for digitization includes both internal and external objectives.

Online channel penetration reached



- Internally we aim to upgrade our systems by investing in new technology for process automation, in order to get more robust returns on investment and focus on enhancing security to enable better internal and external digital stakeholder management
- Robotic process automation has allowed the Bank to automate manual and mundane human capital-intensive work process
- Workflow process automation has facilitated far greater efficiency in processes which has resulted in better Turnaround time and First-Time-Right with minimum or no back and forth, and reducing costs
- Externally our goals include on-boarding a younger audience onto digital channels and creating opportunities for cross-selling products and services. Through these digital

channels, we will be able to deliver a personalized service to our customers

- Development and launch of Open
 Digital Payments app
- Subletting LankaPay (Pvt) Ltd acquiring/issuing services for Lanka QR (LQR), JustPay
- Launching Open Banking (Application Programming Interface) API's services allowing corporate customers to directly interact to Bank's transactional services
- Customising payment collection platforms to specific customer segments

This digitization strategy supports the Bank to create value in line with customer demands while remaining relevant in an increasingly online, and technology driven environment. The value-added services enabled through digitization technology deployed by the Bank has supported increased customer reach and improved customer relationships over the years.

Key highlights	Impact
Launch of SeylanPay – (all LQR scenarios and JustPay)	Expanded our customer base by 3,500 with approximately many active merchants
Commercially launched Open API (Application Programming Interface) Banking	Supporting large merchants of the Bank with these services has directly influenced CEFT revenue and contributed to CASA growth
Implemented an automated IB/MB charging system enabling the Bank to recover these fees without the need for Manual Standing Orders (SOs)	Led to a positive P&L impact and we plan to move this service from cost center to an efficient profit center

During the year our online banking channels were revamped, allowing us to provide a better service, facilitating a higher volume of customer on-boarding, and enabling the handling of a greater number of transactions through the online banking system. Furthermore, we broadened the scope of our Seylan Internet Payment Gateway (IPG) services to serve worldwide clientele 24 x 7 x 365 days.

With the Digital Banking Channels P&L formally completed, all income and

expenditure belonging to the different areas were recognized under the current P&L, thereby further streamlining reporting processes.

Key challenges

- Maintaining system stability to meet the growing demands of customers
- Maintaining uninterrupted operations amidst the brain drain
- Attracting new talent to manage staff movement

OPEN API (Application Programming Interface) banking services strengthened the Bank's ability to integrate with third parties. This allows customers to conduct transactions, bypassing the Bank's traditional customer-facing infrastructure such as online banking. Allowing trusted third parties to directly connect to the Bank's transactional service securely, has raised the Bank's reputation, and resulted in an increased demand for digital banking services, with noticeable growth in current accounts and savings accounts served in the Corporate and SME segments.

Our Digital strategy of focusing on online bulk payments, such as salary, incentives, and vendor payments has attracted many corporate firms resulting in a significant increase in customer adoption rates and a notable surge in transaction volumes for both retail and corporate banking customers, supported by the introducing of open banking APIs.

We are also looking at leveraging Artificial Intelligence to improve credit quality, reduce stage 3 loans, streamline our internal processes, enhance customer experience, combat financial crime, and to support the Bank's sustainability transformation.

A User Acceptance Testing (UAT) unit was setup during the latter half of the year, which allows business and operation personnel to focus on core areas, of which we will see the results during the second quarter of 2024.

We picked up the pace with the electronic know your customer (eKYC) project where all stakeholders pushed up their commitment, and the Digital Banking Channel (DBC) team took up the lead to complete UAT. All stakeholders have been continuously engaging with the relevant stakeholders to provide the 1st iteration development in early 2024.

INTELLECTUAL CAPITAL

Measures of progress

KPI for year 2023	Budget Achievement
IB/MB Penetration	102%
IB/MB Transaction Value	117%
IPG Income	106%

Value delivered to stakeholders

Investors	Employees	Customers	
Communication via digital channels	Remote working capabilities	Mobile banking servicesAutomated and remote banking services	
Online access to investor information	E-learning platforms		
Information	Virtual meetings	Mobile ATMs	
		Payment Gateways	
		QR Payments	
		On-site and off-site ATMs, CDKs, CDMs and CRMs	
Regulatory authorities	Suppliers	Business partners	
 Integrated system developments on 	Paperless online payments	Connectivity via virtual platforms	
Integrated system		Connectivity via virtual	

IT governance and data security

As we increasingly adopt digital solutions to deliver consumer financial services, we understand our clients, customers and others may have concerns about the use of their personal information. Prioritizing IT security is integral to enhancing both internal and external digital stakeholder management and accordingly, significant investments were made in strengthening our digital and security infrastructure.



We have integrated the latest security features in terms of data protection considering confidentiality, integrity and availability for both internal and external stakeholders.

Adding to our commitment to safeguard our customers from cyber threats, the Bank has adopted Global ISMS Best Practices within the digitization strategy. Towards this end, the Bank has designed an extra security measure of onboarding customers, with a 3-factor authentication for online and mobile banking platforms.

Key IT security developments

- Kaspersky End Point Detection and Responds System (EDR)
- Trend Micro Deep Security Implementation of all Critical Servers
- Multifactor Authentication System (MFA)
- Manage Engine (ME) Application Control Plus

We are committed to regular monitoring and upgrading our security systems, aligning with national and international IT security and data protection accreditation such as PCI/DSS (Payment Card Industry Data Security Standard) and ISO 27001 ISMS (Information Security Management System) Security standards while continuously staying vigilant to mitigate emerging threats. Ensuring digital compliance across various aspects of technology is a priority for the Bank and we will continue to invest in and address security and compliance related policies and practices on a regular basis.

NATURAL CAPITAL

Managing our environmental footprint

Value created and preserved in 2023

- Strengthening the Environmental and Social Management System (ESMS) across the Bank through capacity building programmes and exercising due diligence
- 190.67 GWh electricity generated and contributed to the national grid through renewable energy projects financed
- 13% reduction in A4 paper purchased

Capitals Impacted



Our environmental policy

Our environmental policy is built on the premise of minimising both the direct and indirect detrimental impact on the environment as a result of our business activities, whilst simultaneously putting in our best effort to protect and replenish the natural resources around us. Accordingly, the Bank ensures that not only its products and services, but also the projects it supports during the normal course of business are compliant with applicable environmental and social regulations. In an era where environmental consciousness is vital, our commitment to sustainable practices plays a pivotal role in defining our corporate responsibility towards current and future generations. Managing our environmental footprint is not just a corporate initiative; it is a collective responsibility that aligns with our values and the broader global movement towards a greener, more sustainable and equitable future. Accordingly, our business model incorporates environmental due diligence across all aspects of banking operations and all stakeholder interactions.

Our environmental and social management system and ESG compliance

The Bank's Environmental and Social Management System guides the evaluation of capacity, commitment and track records of stakeholders associated with our business operations. While complying with relevant local and global laws, rules and regulations and industry best standards and practices it corresponds with environmental and social due diligence as means of transitioning to a green and clean one.

It also plays a key role in educating our customers on environmental and social management standards, local and global

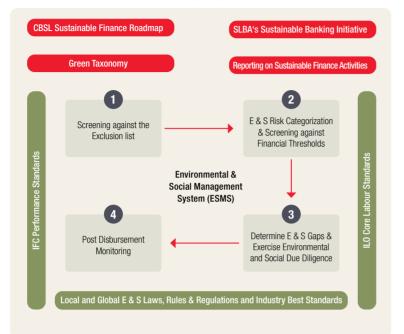
industry best practices and corresponding due diligence to be exercised in their specific business entities as a responsible and collective effort with the Bank.

Being a member to the Sri Lanka Banks Association Sustainable Banking Initiative (SLBA SBI) our Bank abides by the 11 principles in a collective effort with industry participants to create an ethical and level playing field for Sustainable Finance activities while staying abreast with the Sustainable Finance Roadmap of the regulator and the Green taxonomy developed with reporting formality.

NATURAL CAPITAL

The following diagram portrays the Environmental and Social Governance framework of the Bank and how sustainability is fused within.

Environmental and Social Governance (ESG)



Responsible lending practices

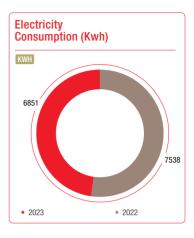
- The ESMS implementation helps to screen all lending transactions of the Bank
- Environmental and Social (E&S) impact assessments (ESIA) are carried out with a comprehensive risk profiling questionnaire and other relevant tools to supplement the same
- E&S due diligence is determined through the lens of E & S risks and financial thresholds where due diligence is exercised with amicable and mutually agreeable E&S action plans. This aims to close E & S gaps if any based on relevant local and global laws, rules and regulations and industry best practises such as IFC performance standards, ILO core labour standards, Equator principle, ESG framework and etc.

Energy consumption

The Bank is mainly dependent on two forms of energy; electricity and fuel and we actively invest in energy-efficient technologies and practices to minimize our energy consumption. This includes the adoption of renewable energy sources, optimizing lighting and heating systems, and implementing energy-efficient technologies throughout our operations. We mainly source electricity from the national grid and only depend on diesel generators during power outages, with special emphasis on keeping our ATM servers running at all times. Electricity consumption increased during the year mainly due to increased transition from 'work from home' to 'office-based employees'. Energy consumption outside the Bank occurs through staff commuting and transportation of goods relevant to business operations.

Measures taken to conserve energy usage;

- 10 branches converted to a single storey building
- Workflows and accustom of work at Head Office
- Gradual transition to renewable energy with solar energy installed at branches
- Digitalising work processes via Fintech solutions
- Periodical repairs to the Bank's vehicle fleet
- Awareness creation for drivers to avoid congested routes and times together with efficient driving techniques
- Regular monitoring of the performance
 of vehicles



Total energy consumption

	2023	2022
Electricity (kWh)	7,538	6,851
Diesel for generators (L)	70,998	206,633*
Petrol (L)	10,536	16,515
Diesel (L)	27,865	29,235
Lubricants (L)	1,636	437

* Due to power outages

Emissions management

Emissions occur due to burning of fossil fuels mainly through generator operations and vehicle usage for staff commuting and transporting goods. We are constantly exploring and implementing initiatives to reduce our carbon footprint including supporting renewable energy projects, investing in carbon offset programs, and continuously monitoring and optimizing our operations to reduce direct greenhouse gas emissions. Our indirect emissions as a result of finance availed to various industries are screened through our ESMS for negating or mitigating detrimental impact if any with due diligence to be exercised.

Water management

The Bank uses water mainly for personal hygiene purposes and cleaning of business premises, vehicles, and related utensils which poses a minimal detrimental effect on the environment.

Water withdrawal by source

Units(U) per			
Employee (E)	2023	2022	2021
Surface groundwater, municipal or private water units (U)	66,005	69,063	93,370
Usage per employee (U/E)	21	22	30

Managing paper usage

With the rapid acceleration in technology and growing awareness of environmental sustainability, we keep continuous focus towards facilitating a digitally transformed paperless banking operations while strengthening cyber security. This strategic shift not only aligns with our commitment to reducing our carbon footprint but also enhances efficiency, collaboration, and overall operational resilience. During the year we continued to encourage our employees and customers to minimise the use of paper and increasingly embrace digital forms of communication.

The following practices continued to be implemented and supported the Bank's efforts to refuse, reduce, re-use and recycle paper.

- Internal communications using digital channels
- Restricting the printing of receipts based on customer preference

E-waste

- re-use computers to manage accumulation
- Refurbished computers are donated to needy schools and educational institutes based on respective IT literacy and practical know-how gaps and infrastructure availability
- Authorities are educated to dispose residues responsibly
- During the year the Bank donated 08 computers to two schools

- Training and development undertaken via E-learning platforms
- Printing only in unavoidable circumstances
- Uploading the board papers to respective members using iPad transmission
- Conducting meetings through MS Teams and using other virtual meeting platforms
- YOY growth rate of 32% on the Point of Sale (POS) spend as means of transitioning to paperless process

Waste management

An organized waste management strategy is in place to reduce, reuse, and recycle materials. This involves promoting a culture of waste reduction among employees, establishing recycling programs, and working with suppliers who share our commitment to sustainable best practices. Our efforts in educating customers and promoting digital literacy amongst them too result in reducing paper waste as customer adaptation to paperless banking channels become a future demand.

69,020 kg of paper recycled

1,173 trees saved

Launch of 'SeylanPay' payment

system & Internet Banking & Mobile Banking penetration of 22%

Solid and other

- Solid waste accumulated including food waste, paper wrapping and polythene is segregated as per the governing rules and regulations of the government and Basel convention
- Food waste and other is disposed through garbage collectors





Indirect waste

- Our ESMS system helps carry out environmental impact assessments through which waste disposals and management of waste become a part of the evaluation criteria for determining necessary due diligence
- ESMS also acts as a knowledge repository to educate customers in environmental standards and best practices while closing gaps if any through amicable environmental and social action plans



NATURAL CAPITAL

Our green finance footprint on renewable energy

			Renewable I	Energy Projects				GWH
	_	Amount grant year 2023 (l	-	Outstanding as at 31 December	Production	Energy produced during year	No. of	GWH Contribution made to
Type of Project	Project Location	Before year 2023	During year 2023	2023 LKR Mn	capacity (Mega Watts)	2023 (Gega Watts per hour)	employment provided	National Grid /Any other relevant info
	Aranayake	-	-	0.56	17.50	6.80	10	6.80
Hydro	Anuradhapura, Kuliyapitiya & Thalawa	-	-	187.73	2.24	8.37	8	8.37
	Kibale, Uganda	1,022.17 (USD 3.15)		797.62 (USD 2.458)	6.5	30.66	20	30.66
	Ratnapura	172.00		10.69	1.3	4.70	9	4.70
	Wellampitiya	1.34	-	3.90	750.00	500.00	4	-
	Ratmalana & Welipenna	-		40.13	0.80	0.94	-	-
	Batticaloa	821.00	226.51	1,047.22	10	18.32	15	18.32
	Monaragala	88.60	-	80.21	1	1.10	2	1.10
Ground Solar	Vavuniya	100.00	-	26.85	1	1.60	5	1.60
ΠÂ:	Vavuniya	100.00	-	26.85	1	1.60	5	1.60
<u> </u>	Moho & Pannala	249.00	19.10	250.56	2	2.60	5	2.60
	Ampara	201.50	-	192.7	2	3.32	3	3.32
	Mathugama	157.50	-	113.18	2	3.35	5	3.35
	Galle	169.60	-	152.1	2	3.37	5	3.37
Wind	Puttalam	-	-	214.00	2.56	11.11	10	11.11
	Mannar	-	-	880.00	22.5	89.73	20	89.73
	Panadura,Pannipitiya & Nugegoda	68.70	-	55.10	1	1.30	1	1.30
	Thambuttegama	27.00	-	20.38	0.3	0.36	1	0.36
	Trincomalee	14.60	-	10.39	0.16	0.16	1	0.16
Corporate Rooftop	Kalpitiya	12.50	-	8.79	0.1	0.12	1	0.12
Solar	Welipenna	90.00	-	41.02	1	0.50	1	0.50
E.A.		35.95	-	29.95	0.45	0.24	2	0.24
e de	Athurugiriya & Hokandara	58.02	-	52.26	0.55	0.53	2	0.53
		16.04	-	14.38	0.16	0.26	2	0.26
	Kotugoda-Seeduwa	28.38	-	16.87	0.4	0.57	1	0.57

Our green finance footprint on energy efficient vehicles

Quarter	No. of facilities	Amount LKR Mn	Outstanding LKR Mn
Q1	170	479	3,850
Q2	105	364	4,175
Q3	300	986	4,932
Q4	211	715	4,552
Total	786	2,544	

Protecting biodiversity

Our premises are not located in proximity to conserved areas of biodiversity and our direct business operations are free from the negative impact on such areas. As part of our conservation efforts to minimise our involvement in indirect biodiversity impact, the Bank's customers who received financing facilities are screened against our ESMS to review their processes and due diligence in complying with local laws and the requirements of the International Union for Conservation and Nature (IUCN). We are also a patron member of Biodiversity Sri Lanka, in harness with its mandates of conserving biodiversity and promoting sustainability.

Way forward

Managing our environmental footprint is a journey that requires continuous effort and adaptation. By implementing our sustainability strategy and fostering a culture of sustainability, we strive to contribute positively to the environment while ensuring the long-term success and resilience of the Bank. Our focus for 2024 is as follows;

- Convert three potential branches to solar energy
- Progressively accomplish environmental targets set out in the Bank's 5 year Sustainability Strategy
- Explore potential collaborations for Fintech solutions
- Increase the year-on-year point of sale (POS) spend by 5% in 2024
- Embed sustainability best practices into the procurement process

SUSTAINABILITY PERFORMANCE INDICATORS

Stakeholder	Indiantar of Dayformana	Achievement				GRI		
Group	Indicator of Performance	2023	2022	2021	2020	2019	Indicator	
Investors	Economic value added (LKR Mn)	24,063	18,311	15,892	13,867	15,280		
	Profit after tax (LKR Mn)	6,256	4,712	4,581	3,011	3,680		
	Earnings per share (LKR)	10.17	7.66	7.44	4.89	5.989		
	Return on equity (%)	10.88	8.85	9.07	6.43	9.29		
	Return on average assets	0.9	0.74	0.79	0.56	0.75		
	Dividend per share (LKR)	2.5	2.00	3.00	1.50	2.00		
	Customer deposits (LKR Mn)	590,698	547,316	488,653	440,303	400,731	G1	
	Number of KYC anti-money laundering programmes [No of participants]	1,043	239	218	512	726	G2	
	Penalties arising from non-compliance of laws (LKR Mn)	1	Nil	*	Nil	Nil		
Customers	Number of banking centres	171	171	171	172	173		
(A)	Number of ATMs	215	215	214	215	215		
Aunt	Total customer advances (Gross)(LKR Mn)	497,205	490,432	465,905	409,301	389,991	G1	
	Number of housing loans	4,391	5,276	5,765	5,254	5,703		
	Value of housing loans (LKR Mn)	15,828	17,833	17,899	16,731	16,765		
	Housing loans to total loans (%)	3.18	3.64	3.84	4.09	4.30	G2	
	Number of 'Tikiri' kids events held	2	4	15	27	104	GRI 413-1	
	Number of student saving centres	98	98	98	98	98	G1	
	Number of customer complaints	6,394	4,865	5,786	4,534	4,824	GRI 418-1	
Employees	Turnover rate (%) (Including sales staff)	17.12	12.23	7.56	5.88	9.26	GRI 401-1	
0 0 0	Permanent employees (%)	86	90	95	94	88	G1	
	Average benefits per employee (LKR '000)	2,974	2,540	2,203	2,235	1,970	GRI 405-2	
	Staff covered by health plan (%)	100	100	100	100	100	GRI 403-1	
	Women employees (%)	46	45	43	43	43	GRI 405-1	
	Women in corporate and middle management (%)	31	32	31	29	28	GRI 405-1	
	Union membership (%)	83	88	92	91	90	G1	
	Number of pending human rights cases against the Bank	Nil	Nil	Nil	Nil	Nil	NA	
	Number of participants on external and foreign training	81	139	210	94	341	GRI 404-2	
	Ratio of standard entry level wage	Above minimum	Above minimum	Above minimum	Above minimum	Above minimum	G2	
	Proportion of Senior Management from local community (%)	100	100	100	100	100		
Community	Contribution on the community projects (LKR Mn)	16.48	7.52	3.32	26.75	15.37	GRI 413-1	
n Sta	Contribution on education-related pursuits (LKR Mn)	5.19	5.47	0.14	5.42	8.81	GRI 413-1	
DC	Number of loans granted under 'Seylan Scholar'	2	Nil	6	14	17	GRI 413-1	
	Number of SME loans	20,818	22,522	19,510	18,872	22,148	GRI 413-1	
	Value of SME loans (LKR Mn)	98,349	82,996	92,628	100,650	100,708	GRI 413-1	
	Number of micro finance loans	8,514	5,226	3,237	8,668	3,478	_	
	Value of micro finance loans (LKR Mn)	1,992	587	740	1,537	837		

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

Stakeholder		Achievement					GRI	
Group	Indicator of Performance	2023	2022	2021	2020	2019	Indicator	
Suppliers	Purchases from locally based suppliers (LKR Mn)	689.3	546.31	469.60	525.56	589.59	G2	
NTAS S	Electricity consumed (Units kWh) '000	7,538	6,851	7,449	7,651	8,413	GRI 302-1	
	Electricity consumption – units per employee (kWh)	2,450	2,171	2,366	2,353	2,503	GRI 302-1	
Environment	Water consumption – Units	66,005	69,063	93,370	85,830	77,370		
	Water consumption – Units per employee	21	22	30	26	23		
	Generator diesel consumption (litres)	70,998	206,633	48,093	65,460	74,626		
	Vehicle petrol consumption (litres)	10,536	16,515	8,128	8,238	11,426	G3	
	Vehicle diesel consumption (litres)	27,865	29,235	47,860	43,157	52,940		
	Lubricant consumption (litres)	1,636	437	499	595	767	767	
	Total business travels (km)	373,451	296,434	497,754	486,523	668,725		
	Packets of A4 paper purchased	10,309	12,963	16,909	18,878	23,984	NA	
	Weight of A4 paper (kg)	123,708	159,445	202,908	226,536	287,808	NA	
	A4 packets purchased per business unit	55	69	90	100	126	NA	
	Waste paper recycled (kg)	69,020	100,035	96,755	76,387	102,026		
	Savings from recycled papers Trees (No.)	1,173	1,701	1,645	1,299	1,734		
	Water (litres)	2,193,456	3,179,112	3,074,874	2,427,579	3,242,386		
	Electricity (kWh)	276,080	400,140	387,020	305,548	408,104	G3	
	Oil (litres)	121,130	175,561	169,805	134,059	179,056		
	Land fill (cubic meters)	207	300	290	229	306		
	Carbon footprint (kg) reduced	13,804	20,006	19,351	15,277	20,405		
The	Income tax (LKR Mn)	3,824	1,917	1,447	1,100	1,418		
Government and the Government	Value added tax and nation building tax on financial services (LKR Mn)	3,455	2,647	1,935	1,528	2,767**		
Institutions	Social security contribution levy (LKR Mn)	481	127	NA	NA	NA	G2	
AND NOT	Total tax (VAT/NBT/SSCL and income tax % of PBT)	77	71	56	64	53**		

** Includes debt repayment levy

INDEPENDENT ASSURANCE REPORT - SUSTAINABILITY

KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. 0. Box 186, Colombo 00300, Sri Lanka. Tel Fax Internet +94 - 11 542 6426 +94 - 11 244 5872 +94 - 11 244 6058 www.kpmg.com/lk

INDEPENDENT ASSURANCE REPORT TO SEYLAN BANK PLC

We have been engaged by the Directors of Seylan Bank PLC ("the Bank") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2023. The Sustainability Indicators are included in the Seylan Bank PLC Integrated Annual Report for the year ended 31 December 2023 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	05

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

	Integrated Annual
Limited Assurance Sustainability Indicators	Report Page
Sustainability Performance Indicators	74 to 75
Information provided on following	
Financial Capital	37 to 43
Manufactured Capital	44 to 45
Human Capital	46 to 53
Social & Relationship Capital	54 to 64
Intellectual Capital	65 to 68
Natural Capital	69 to 73

Our conclusions

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

Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2023, in all material respects, has been prepared and presented by the management of Seylan Bank PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2023, have not in all material respects, been prepared and presented by the management of Seylan Bank PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

KPMG, a Srl Lankan partnership and a member firm of the KPMG global organization of independent member firms artiliated with KPMG Internetional Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA Ms. S. Josoph FCA G. A. U. Karunaratine FCA R. H. Rejan FCA A.M.R.P. Alahakoon ACA T. J. S. Rajakariar FCA W. K. D. C. Abeyramine FCA R.M.D.B. Rajapakse FCA M.N.M. Shameel FCA M. P.M.K. Swimpasekara FCA

W, W, J. C. Perera FCA S. T. D. L. Perera FCA Ms. B.K.D.T.N. Rodingo FCA Ms. C.T.K.N. Perers ACA R.W.M.O.W.D.B. Rethnadiwakara FCA

Management's Responsibility

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

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

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

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

Our responsibility

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

We conducted our assurance engagement

in accordance with Sri Lanka Standard on

Assurance Engagements SLSAE 3000:

Audits or Reviews of Historical Financial

Assurance Engagements other than

A.M.R.P. Alahakoon ACA Me. P.M.K. Semanasekara FCA R.W.M.O.W.D.B. Reihnadiwakaca FC Principals: S.R.L. Parere FCMA(UK), LLB, Attorney-akLaw, H.S. Goonewardene ACA, Ms. F.R. Zyard FCMA (LK), FTII



Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

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

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

Reasonable assurance over Reasonable Assurance Sustainability Indicators

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

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

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

Limited assurance on the Assured Sustainability Indicators

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

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

material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

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

Purpose of our report

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

Restriction of use of our report

This report has been prepared for the Directors of Seylan Bank PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Seylan Bank PLC Integrated Annual Report for the year ended 31 December 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Seylan Bank PLC, or for any other purpose than that for which it was prepared.

CHARTERED ACCOUNTANTS Colombo

20 February 2024

BOARD OF DIRECTORS

Leading with responsibility

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Ms Averil A Ludowyke Mr S Viran Corea, PC

Non-Executive Director Mr Ramesh Jayasekara Director/Chief Executive Officer





Mr W M R S Dias Non-Executive Director/ Chairman Mr D M Rupasinghe Independent Director Ms Sandya K Salgado Senior Independent Director Mr L H A Lakshman Silva Independent Director Ms V G S Sunjeevani Kotakadeniya Non-Executive Director 80

BOARD OF DIRECTORS

Mr W M R S Dias

Non-Executive Director/Chairman

Qualifications:

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

Appointed to the Board:

29 May 2015 as a Non-Executive Director and was appointed as the Chairman on 09 May 2016.

Areas of Expertise:



👔 Finance

Membership in Board Subcommittees:

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

Skills and Experience:

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

Mr Dias presently serves on the boards of Carson Cumberbatch PLC, Tokyo Cement Company (Lanka) PLC and is the Chairman of Ceylon Tea Marketing (Pvt) Ltd. He also serves on the Board of United States-Sri Lanka Fulbright Commission.

Mr Ramesh Jayasekara

Director/Chief Executive Officer

Qualifications:

B.Com (First Class-Honours) [University of Colombo], ACA (Sri Lanka), ACCA (UK), ACMA (Sri Lanka) Post Graduate Diploma in Marketing CIM (UK)

Appointed to the Board:

01 May 2023 as an Executive Director

Areas of Expertise:



Finance

Membership in Board Subcommittees:

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

Skills and Experience:

Mr Jayasekara was appointed as the Director/Chief Executive Officer of Seylan Bank PLC on 01 May 2023. He was the Deputy Chief Executive Officer of the Bank prior to his appointment as the Director/ Chief Executive Officer.

Mr Jayasekara joined Seylan Bank in 2011 as the Chief Financial Officer and was appointed as the Chief Risk Officer in 2016. He was the Deputy General Manager – Corporate Banking of the Bank from 2018 to 2019. In January 2020, he was promoted to the grade of Senior Deputy General Manager, and in January 2021, he was made the Chief Operating Officer of the Bank. Subsequently, in terms of succession, he was appointed as the Deputy Chief Executive Officer in September 2022.

Mr Jayasekara serves as the Chairman of Seylan Developments PLC. Additionally, he serves on the Boards of LankaPay (Pvt) Limited, Lanka Financial Services Bureau Ltd and Sri Lanka Banks' Association.

Prior to joining Seylan Bank PLC, he was the Deputy Regional Financial Controller of the French Banking giant BNP Paribas, Middle East Region – (Bahrain, Saudi Arabia, Kuwait, Qatar, Dubai, Abu Dhabi & Cyprus) based in Bahrain. He also held senior roles at HSBC Sri Lanka as Resident Manager – Finance & Planning and at KPMG Sri Lanka as an Audit Manager.

He has over 25 years of experience in Banking, Strategic Planning, Financial Management, Risk and Audit both locally and internationally.

Mr S Viran Corea, PC

Non-Executive Director

Qualifications:

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

Appointed to the Board:

14 May 2015 as a Non-Executive Director

Areas of Expertise:





Legal Appeals (Civil, Employment and Company Law),

Contracts

Negotiations

Membership in Board Subcommittees:

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

Skills and Experience:

President's Counsel with over 26 years' experience at the Bar and a Legal Consultant.

Mr Corea's experience in private practice has included the fields of constitutional and administrative law, human rights law, commercial

law, industrial law, arbitration, contract law and land law. He has appeared as counsel in a number of landmark cases of national and public importance reported in the Sri Lanka Law Reports and was appointed a President's Counsel in December 2023. At present, he is also a legal advisor to many companies and organizations. He also serves as a member of the Legislation Steering Committee of the Ceylon Chamber of Commerce ('CCC'), the Board of Management of the Legal Aid Unit of the Law Faculty of the University of Colombo, the Bar Council of the Bar Association of Sri Lanka ('BASL') and Child Protection Officer of the Colombo Diocese of the Church of Ceylon.

He served as a member of the Drafting Committee providing expert legal inputs pertaining to prevention of torture for the formulation of the National Human Rights Action Plan - NHRAP (2017-2021) for the Foreign Ministry of Sri Lanka.

He also served as a State Counsel at the Attorney General's Department of Sri Lanka for several years and has represented in court and advised government departments and state institutions in several important matters.

In 2012, Mr Corea was selected as an Asia 21 Young Leader by the Asia Society.

Ms Sandya K Salgado

Senior Independent Director

Qualifications:

MBA (International) Edith Cowan University, Perth, Australia BA (English, French, Linguistics) University of Kelaniya, Sri Lanka, MCIM, Chartered Institute of Marketing, UK – 1999

Appointed to the Board:

01 December 2016 as an Independent Director and was appointed as the Senior Independent Director on 06 November 2023

Areas of Expertise:



Strategic Communications & Sustainable Business Management

Membership in Board Subcommittees:

Board Sustainability Committee (Chairperson), Board Marketing and Product Development Committee (Chairperson), Board Strategic Plan Committee (Chairperson), Board Human Resources and Remuneration Committee, Board Nomination Committee and Board Procurement and Capital Expenditure Supervisory Committee

Skills and Experience:

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

Mr D M D Krishan Thilakaratne

Non-Executive Director

Qualifications:

AIB (Sri Lanka) CIMA (UK) - Passed Finalist

Appointed to the Board:

01 October 2018 as a Non-Executive Director

Areas of Expertise:





Membership in Board Subcommittees:

Board Credit Committee (Chairman), Human Resources and Remuneration Committee, Board Sustainability Committee and Board Marketing and Product Development Committee.

Skills and Experience:

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

Mr Thilakaratne is a Director of LOLC South East Asia covering Philippines, Indonesia and Pakistan. Further, Mr Thilakaratne is a Director of LOLC Central Asia covering Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. He serves on the Boards of Fazo S Micro Deposit Organization in Tajikistan, OJSC Micro Finance Company "ABN" in Kyrgyzstan and is appointed as the Director of R Finance in Kazakhstan. He is an Advisor to "Lombard Micro Finance Company" in Tajikistan.

Mr Thilakaratne is also a Board Member of Commercial Insurance Brokers (Pvt) Ltd in Sri Lanka. He was a board member of Credit Information Bureau of Sri Lanka (CRIB), Prasac Micro Finance Institution Ltd, Cambodia and the past Chairman of the Finance Houses Association of Sri Lanka (FHASL), the Apex body for Non-Bank Financial Institutions (NBFIs) in Sri Lanka.

He is a Passed Finalist of the Chartered Institute of Management Accountants (CIMA) UK and Associate member of the Institute of Bankers of Sri Lanka (AIB). He has followed the Strategic Leadership Training Programme in Micro Finance at Harvard Business School, USA and counts over 28 years of experience in Management, Credit, Channel Management, Marketing, Factoring, Portfolio Management and Islamic Finance. He conceptualized and introduced Islamic Finance to LOLC Group in 2007 and is a Guest Speaker at International Islamic Finance Forums.

BOARD OF DIRECTORS

Mr D M Rupasinghe

Independent Director

Qualifications:

BA (Honours) Economics [University of Kelaniya], MA Economics [Colorado State University-Fort Collins, USA], Post-graduate trainings/ assignments at Harvard University, Western Australia University and National University of Singapore

Appointed to the Board:

01 October 2021 as an Independent Director

Areas of Expertise:



Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Membership in Board Subcommittees:

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

Skills and Experience:

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

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

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

Mr Rupasinghe was the Country Researcher for Research Projects on "Socio-economic Impacts of Hydro-Metrological Disasters", UN-ESCAP- Thailand and "The impact and Policy Response of Oil Price Shocks in Sri Lanka" SEACEN Centre, Malaysia. He also worked closely with the Financial Action Task Force (FATF) and the regional FATF Secretariats, in particular with Asia Pacific Group of Money Laundering (APG) for over a decade, and served as a Co-chair of Asia Pacific Group on Money Laundering (APG) and its Governing Committee Member thereafter. He also served as Egmont Group (of Financial Intelligence Units) Governance Committee Member and Asia Pacific Regional Representative until his retirement from the Central Bank in 2020.

Mr L H A Lakshman Silva

Independent Director

Qualifications:

B.Com (Special) [University of Kelaniya], MBA [Postgraduate Institute of Management of the University of Sri Jayewardenepura], Licentiate (Institute of Chartered Accountants of Sri Lanka), Associate in Development Bank Management (Association of Development Financing Institutions in Asia and the Pacific, Philippines)

Appointed to the Board:

18 July 2022 as an Independent Director

Areas of Expertise:



Finance

Membership in Board Subcommittees:

Board Human Resources and Remuneration Committee (Chairman), Related Party Transactions Review Committee (Chairman), Board Procurement and Capital Expenditure Supervisory Committee (Chairman), Board Integrated Risk Management Committee, Board Governance and Compliance Committee, Board Information Technology Committee and Board Nomination Committee

Skills and Experience:

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

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

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

Mr Silva was a member of the Board of Directors of the Association of Development Financing Institutions in Asia and the Pacific and Board of Management of the Sri Lanka Sustainable Energy Authority, and Ceylon Chamber of Commerce. Mr Silva is a Past President of Association of Professional Bankers of Sri Lanka.

At present, he holds the position of Chairman/ Non-Executive Independent Director at Panasian Power PLC and its subsidiary companies. Mr Silva is also a Independent Non-Executive Director at Fintech Consultancy (Pvt) Ltd and a Independent Non-Executive Director at HNB Assurance PLC. He also serves as a member of the Stakeholder Engagement Committee of Central Bank of Sri Lanka.

Ms V G S Sunjeevani Kotakadeniya

Non-Executive Director

Qualifications:

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

Appointed to the Board:

17 August 2022 as a Non-Executive Director

Areas of Expertise:

Finance

Financial Management

Membership in Board Subcommittees:

Board Information Technology Committee (Chairperson), Board Audit Committee, Board Nomination Committee, Board Strategic Plan Committee, and Board Marketing and Product Development Committee

Skills and Experience:

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

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

Ms Kotakadeniya serves as a Director in several LOLC Group companies including listed entities; Sierra Cables PLC, Udapusellawa Plantations PLC, Hapugastenna Plantations PLC, LOLC General Insurance PLC and Agstar PLC and plays a strategic role in these entities. Ms Kotakadeniya has been a catalyst in corporate restructuring and change management, mergers and acquisitions, and project management.

Ms Averil A Ludowyke

Independent Director

Qualifications:

FCA (CA Sri Lanka), FCMA (UK)

Appointed to the Board:

17 August 2022 as an Independent Director

Areas of Expertise:



Accounting & Finance

Membership in Board Subcommittees:

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

Skills and Experience:

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

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

She also counts 13 years of senior level experience in finance and accounting in the manufacturing sector, and in a relief and development organization.

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

Ms Ludowyke was appointed as a Director of Ceylinco Life Insurance Ltd and Bogala Graphite PLC.

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SENIOR MANAGEMENT TEAM

Shaping the path towards excellence



RAMESH JAYASEKARA

Director/ Chief Executive Officer

Experience



Qualifications

- Associate Member of Institute of Chartered Accountants of Sri Lanka
- Bachelor of Commerce Degree (First Class) -University of Colombo
- Associate Member of Chartered Institute of Marketing - UK
- Associate Member of Institute of Certified Management Accountants

JAYANTHA AMARASINGHE

Deputy General Manager -Human Resources

Experience



Qualifications

- Master of Business Administration -Buckinghamshire New University
- Bachelor of Law (LL.B)
- Attorney-at-Law
- Chartered Fellow Member of CIPM Sri Lanka
- Postgraduate Diploma in Management Sri Lanka Institute of Marketing
- Postgraduate Diploma in International Relations
 Bandaranaike Centre for International Studies -Sri Lanka

*Resigned with effect from 15 April 2024.





Ms CHAMPIKA DODANWELA

Chief Financial Officer

Experience



Qualifications

- Master of Business Administration University of Colombo
- Fellow member of ACCA UK
- Associate Member of Institute of Chartered Accountants of Sri Lanka
- Associate member of Certified Management Accountants
- Fellow member of Institute of Bankers of Sri Lanka
- B.Sc. Management University of Sri Jayewardenepura
- B.Sc. Applied Accounting Oxford Brooke UK

HARSHA WANIGATUNGA

Chief Information Officer

Experience



Qualifications

- B.Sc. Computer System Design University of Houston - Clear Lake
- M.Sc. Computer Engineering University of Houston - Clear Lake





MALIK WICKRAMANAYAKE

Deputy General Manager -Operations

Experience



Qualifications

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

SHANAKA PERERA

Deputy General Manager - Treasury

Experience



Qualifications

- Master of Business Administration PIM -University of Sri Jayewardenepura
- FIB Institute of Bankers of Sri Lanka •
- PG. Ex. Diploma in Bank Management Institute of Bankers Sri Lanka
- CMA ICMA, Australia
- ACI DC ACIFMA •
- Diploma in Treasury and Risk Management -• Institute of Bankers of Sri Lanka





ARUNA **FERNANDO**

Deputy General Manager/ Chief Risk Officer

Experience



Qualifications

- Master of Financial Economics, University of • Colombo
- Master of Business Administration - PIM, University of Sri Jayewardenepura
- Associate Member of Institute of Bankers of Sri Lanka
- Postgraduate level Certificate Course in Modern Commercial Banking - PIM, University of Sri Jayewardenepura
- Special Course Credited by GARP on Bank Risk Management, Euromoney Learning Solutions

VARUNA KOGGALAGE

Deputy General Manager -Internal Audit

Experience



Qualifications

· Fellow member of Institute of Chartered Accountants of Sri Lanka



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SENIOR MANAGEMENT TEAM



Ms SHARON FONSEKA

Deputy General Manager -Corporate Credit Branches

Experience



Qualifications

 Associate member of Institute of Bankers of Sri Lanka

RANIL DISSANAYAKE

Deputy General Manager -Branch Credit

Experience



 Associate member of Institute of Bankers of Sri Lanka

Qualifications





EUGENE SENEVIRATNE

Deputy General Manager -Retail Banking

Experience



ERANGA Lankatilaka

Deputy General Manager -Recoveries

Experience



Qualifications

- Associate Member of Institute of Bankers of Sri Lanka
- Master of Business Administration Rajarata University of Sri Lanka

Qualifications

- Master of Business Administration- Sikkim Manipal University
- Certificate IV in Business Frontline Management -TAFE
- Certificate in Credit College of Banking & Finance
- Intermediate Banking Diploma Institute of Bankers of Sri Lanka





WASANTHA **KARUNARATNE**

Assistant General Manager -Services

Qualifications

Diploma in Purchasing and Materials Management

Experience





KAPILA RATHNAYAKE

Assistant General Manager -**Premises Maintenance**

Qualifications

- B.Sc. Engineering Honours (Peradeniya)
- Master of Business Administration PIM University of Sri Jayewardenepura Chartered Engineer
- Corporate Member of Institution of Engineers (IESL)
- Associate Professional Green Building Council of Sri Lanka

Experience





SAMPATH **FERNANDO**

Assistant General Manager -Information Technology

Qualifications

Master of Business Administration -• University of Manipal

Experience





RUWAN FERNANDO

Assistant General Manager -Branches II

Qualifications

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

Experience





Ms VAYOMA PARANAGAMA

Assistant General Manager -Legal

Qualifications

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

Experience





DILAN **WIJEGOONAWARDENA**

Assistant General Manager -International

Qualifications

- Master of Business Administration PIM • University of Sri Jayewardenepura
- Fellow Member of the Chartered Institute . of Management Accountants - UK
- Fellow Member of Certified Management • Accountants of Sri Lanka
- Fellow member of Institute of Bankers of Sri Lanka
- Diploma in International Trade Institute of Bankers of Sri Lanka

Experience



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SENIOR MANAGEMENT TEAM



Ms NILANTHIE DE MERAL

Assistant General Manager -Corporate Banking

Qualifications

 Associate member of Institute of Bankers of Sri Lanka

Experience





DIMUTH SIGERA

Assistant General Manager -Branches I

Qualifications

- Chartered Financial Analyst Chartered Financial Analyst (CFA) Institute
- Master in Economics University of Colombo
- Master of Business Administration PIM University of Sri Jayewardenepura
- B.Sc. Management (Public) Special degree - University of Sri Jayewardenepura

Experience





Shanuka Jayarathna

Assistant General Manager – Finance

Qualifications

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

Experience





Ms CHAYA GUNARATHNE

Assistant General Manager -Compliance

Qualifications

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

Experience





ASIRI ABHAYARATNE

Assistant General Manager -Marketing & Sales

Qualifications

- B.Sc. Management University of London
- Diploma in Economics London School of Economics
- Postgraduate Diploma in Marketing -Chartered Institute of Marketing - UK

Experience





NISSANKA RAJAPAKSHA*

Assistant General Manager -Internal Audit

Qualifications

- Fellow member of Institute of Chartered Accountants of Sri Lanka
- Certified Information Systems Auditor (CISA) - ISACA

Experience





Ms AMANTHI **MOTHA***

Assistant General Manager -Human Resources

Qualifications

- Master of Business Administration in Human Resource Management -University of Colombo
- B.Sc. Human Resources Management -University of Sri Jayewardenepura
- Chartered Member of the Chartered . Institute of Personnel Management
- Professional Part I Chartered Accountants of Sri Lanka

Experience





CHAMINDA SENEWIRATNE*

Assistant General Manager - Digital Banking/ Head of Digital Banking

Qualifications

•

- Master of Business Administration -• University of Honolulu
 - Certificate Course on Financial Technology (Fintech) Innovations - University of Michigan Certificate Course on Future Commerce from
- Massachusetts Institute of Technology
- Diploma in LTE & Advanced Communications • - Informa Telecoms & Media
- Certified Information Systems Security Professional - ISC2
- Chartered Professional Marketer Asia
- Pacific Marketing Federation Diploma in Marketing Sri Lanka Institute of • Marketing
- Diploma in Computer Studies IDM **Computer Studies**

Experience





CECILTON PHILIP*

Assistant General Manager -**Branch Credit**

Qualifications

· Associate member of Institute of Bankers of Sri Lanka

Experience





Ms ASTRID **IDDAMALGODA***

Assistant General Manager -Operations

Qualifications

- Master of Business Administration -Edith Cowen University
- AIB (Intermediate) Institute of Bankers of Sri Lanka.

Experience



* Promoted after the reporting date

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CORPORATE GOVERNANCE

Setting a robust platform of governance

Dear Shareholder/s

The past year has underscored the importance of resilience and adaptability consequent to the macro level economic challenges the country faced in 2022 and its consequences alongside the endeavors made by the authorities to address the same with long-term and short-term plans. Our continued commitment as a listed corporate to effective Corporate Governance has been a guiding force as we navigate uncertainties and seize opportunities. I express my gratitude to our Board Members, Corporate Management, and employees for their unwavering commitment in upholding the values that define our institution and to withstand despite challenges to deliver good results during the year.

Seylan Bank believes that a strong governance framework is essential for sustaining trust, fostering long-term value creation, and safeguarding the interests of our shareholders. Throughout the past year, we have strived to uphold the highest standards of transparency, accountability, and ethical conduct. In the face of evolving challenges, our Bank remained steadfast in its dedication to maintaining a governance structure that not only complies with regulatory requirements but also goes beyond to embrace best practices. We have continued to refine our policies, enhance risk management processes, and fortify our internal controls to adapt to the dynamic business landscape.

Year 2023 brought in changes to the external regulatory environment. In addition to the Corporate Governance principles set out in the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) which was mandatory for compliance by all Licensed Commercial Banks, there were amendments brought in for compliance by listed entities by the listing regulator. The revised Listing Rules of the Colombo Stock Exchange ('CSE') on Corporate Governance were introduced in October 2023. In addition, the Code of Best Practices on Corporate Governance 2023, published by the Institute of Chartered Accountants of Sri Lanka was also released in December 2023.

This Corporate Governance Report contains the statement of compliance on the mandatory requirements of the Banking Act Direction No. 11 of 2007 (as amended) and the Listing Rules of the Colombo Stock Exchange which have been applicable to the Bank during the period under review. The Bank also ensures compliance with its own Articles of Association, Corporate Governance Framework, Code of Ethics, Code of Conduct as well as its various policies and charters approved by the Board, which form part of the Bank's Corporate Governance Framework.

The Board Governance and Compliance Committee and the Board of Directors reviewed the Corporate Governance Report and were satisfied with the level of compliance in terms of applicable regulations and governance requirements in respect of the year ended 31 December 2023.

Yours sincerely,

W M R S Dias Chairman

20 February 2024

The Board and management of Seylan Bank PLC ('the Bank') continuously monitors its systems, procedures and practices to ensure that the Bank meets the required standard of Corporate Governance which has a positive impact on efficiency, effectiveness and long term sustainable value creation and stability of the Bank.

Bank's Corporate Governance Framework is built on the following core pillars:



The Bank's Corporate Governance philosophy encompasses not only regulatory and legal requirements but also various internal governance structures within the Bank. The Bank's governance structure includes its policies, charters and codes of conduct and ethics which were formulated and adopted by the Bank, taking into consideration the regulations, rules, directions, guidelines and principles, of the relevant statutes and regulatory bodies in addition to its' own Articles of Association. This provides a sound framework for the dissemination of timely and reliable information to the stakeholders of the Bank relating to its financial performance and to inspire confidence in the leadership and governance structures of the Bank.

External Framework

includes (but not limited to) the following Regulations and Guidelines

- Banking Act No. 30 of 1988 (as amended)
- Companies Act No. 07 of 2007
- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks of Sri Lanka (as amended)
- Banking Act Directions, Determinations, Guidelines, Circulars issued by the Central Bank of Sri Lanka from time to time
- Rules of the Colombo Stock Exchange (as amended)
- Guidelines of the Securities and Exchange Commission of Sri Lanka in pursuance of its regulations
- Acts, Gazettes and regulations issued by the Tax Authorities
- Sri Lanka Financial Reporting Standards and Accounting Standards
- Guidelines issued by the Institute of Chartered Accountants of Sri Lanka
- Other applicable regulations, directions and recommended best practices on Corporate Governance, Financial Disclosures, Related Party Transactions etc.

Internal Framework includes (but not limited to) the following Policies and Guidelines

- Articles of Association
- Corporate Governance Framework
- Terms of Reference for the Senior Independent Director
- Terms of References of the Board Subcommittees
- Terms of References of Management Committees
- Integrated Risk Management Framework and Risk Management Policies
- Compliance Reference Guide covering Compliance related policies, internal guidelines, regulatory directions, regulatory reporting requirements etc.
- All policies approved by the Board including policies on all operational areas, human resources/ employee related policies
- Employee Manual including Code of Ethics and Code of Conduct for Employees
- Code of Business Conduct and Ethics for Directors
- Operations Manual
- Lending Guidelines
- Credit Standards and Procedure Manual

The Corporate Governance statements which are in compliance with the principles and directions set out in the Banking Act Direction No. 11 of 2007 [as amended] for Licensed Commercial Banks ('the Banking Act Direction'), that are reported in this Corporate Governance Report as well as in the Reports of the regulatory Board Committees published in the Annual Report describe Seylan Bank PLC's key Corporate Governance approach and practices of the Bank for the financial year ended

31 December 2023 ('FY 2023'). Such disclosures together with the disclosures on financials and notes thereof on Internal Controls, on ESG (Environmental Social Governance), on Risk Management, etc., published in the Annual Report further demonstrate the Bank's commitment to transparency and accountability, the Board's oversight of strategy and the commitment of the Board as well as the management for the application of good governance practices. The Board Governance and Compliance Committee and the Board of Directors reviewed the statements in this Corporate Governance Report and were satisfied with the disclosures and confirmations on the level of compliance in respect of the FY 2023 under the aforementioned Banking Act Direction and Governance Codes and principles. The findings of the External Auditors' Factual Findings Report carried out based on the Agreed upon Procedure

CORPORATE GOVERNANCE

in terms of Sri Lanka Related Services Practice Statement 4,750 were reported to be consistent with the matters disclosed in this Corporate Governance Report.

STATEMENT OF COMPLIANCE IN ACCORDANCE WITH BANKING ACT DIRECTION NO. 11 OF 2007 ON CORPORATE GOVERNANCE (AS AMENDED)

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

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

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

Directions/Compliance Status key indicator - complied ♥; not complied ♥ ; partially complied ₽

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

3(1) RESPONSIBILITIES OF THE BOARD

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

The Board has taken relevant measures to ensure the safety and soundness of the Bank by ensuring compliance with the regulations and policy measures, directions, determinations and circulars released by the regulators time to time and various governance related frameworks and policies adopted by the Bank. Such measures were taken with responsibility and accountability of the Board. Management strengthened the safety and soundness of the Bank whilst promoting public confidence mainly of its depositors, investors and borrowers.

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

Upon the expiry of the Strategic Plan for 2017-2020, with the guidance of the Board Strategic Plan Committee, corporate management developed the Strategic Plan 2021-2023 with the approval of the Board. The Bank's strategic objectives and corporate values are entrenched in its Vision and Mission statements. The Board has ensured that appropriate steps are taken to communicate these to the employees, by means of the Bank's Employment Manual, the Codes of Conduct and Ethics, the Bank's Intranet as well as supporting policies. The Strategic Plan and corporate objectives are communicated to the staff upon the launch of 'Town Hall meetings attended by Director/CEO, vide a series of communications planned through first working day messages to all staff, meetings and communications to the senior corporate management, branch management and to all staff of head office and branches vide circulars.



The corporate values and the importance of achieving the objectives were emphasized to staff at orientation programs, training and development forums and through the intranet. Different management forums and performance review forums were held from time to time to review the progress against the set strategic objectives and goals as well as against the financial targets as per the annual budget.

Codes of Conduct and Ethics

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

- The Code of Business Conduct and Ethics for Directors
- The Code of Conduct as well as the Code of Ethics for the Bank's employees including the Key Management Personnel ('KMP').

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

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

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

Whistle Blowing Policy

The Bank has established an effective Whistleblower program to protect the integrity and reputation of the Bank, augment its framework of internal controls and provide a channel for employees to report inappropriate activity and ethical concerns of which they may be aware. Matters reported are diligently investigated and appropriate action taken and the Whistleblower Framework is closely monitored and improved. The Bank is committed to Whistleblower protection and maintaining confidentiality and fostering employee trust in the Whistleblower mechanism. Employees are educated and encouraged to raise any concerns affecting compliance culture of the Bank through the whistleblowing mechanism.

Anti-Bribery and Corruption Policy

The Bank is committed to conduct its business in accordance with the highest ethical standards. In line with this commitment, the Bank adopts a "zero tolerance" approach for bribery and corruption breaches including deviations from ethical standards. Board Governance and Compliance Committee, established as a Subcommittee of the Board of Directors, assists the Board in adopting appropriate governance standards to fulfill Board's responsibility for oversight on the overall Corporate Governance Framework of the Bank. Beyond its regular compliance obligations, this Subcommittee performs specific tasks such as overseeing the regular monitoring and periodic assessment of the Bank's conduct risk management framework and the Anti-Bribery and Corruption Framework both at policy and procedural levels. In order to ensure that risks arising from those within the Bank's business are appropriately identified, mitigated and managed, the Anti-Bribery and Corruption Policy clearly defines unacceptable behavior and activity relating to bribery and corruption. The Anti-Bribery and Corruption Policy clearly demarcates the policy boundaries and the related procedures on gifts and hospitality related expenses.

The approach is applicable across the Bank from the Board of Directors and the top management to the bottom level employees including temporary recruits. It is also applicable to agents and representatives of the Bank. To achieve these objectives, continuous awareness raising initiatives are available at staff induction sessions. Procedures for monitoring are in place to guarantee that all stakeholders abide by the highest ethical standards of integrity and accountability obligations. The Bank's Compliance Department is vested with the responsibility of ensuring the implementation of the recommendations of the Board and its Subcommittees in this regard.

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

Strategic Plan

The Board approved Strategic Plan for 2021-2023 included measurable goals and targets (KPIs) which were assigned to KMPs and are monitored on a regular basis and linked to respective performance appraisals. It was agreed to extend the Strategic Plan of 2021-2023, till 2024, with the incorporation of new Pillars such as Recoveries, Transformation of HR Strategy and Digital focus, in deciding the

way forward on the new Corporate Strategy formulation with a review of the progress of qualitative and quantitative key strategic drivers relating to 2021-2023 Strategic Plan. Sustainability Strategy of the Bank is embedded in the overall Corporate Strategy.

A joint forum of the Board Human Resources and Remuneration Committee and Board Strategic Plan Committee was held in June 2023 in order to build a Road Map of the HR Strategy formulation. Subsequent to the same, an off-site event with the participation of the Board of Directors and the Senior Management was held in June 2023 in order to review the overall corporate strategy and to have a brainstorming on strategic initiatives to be taken forward during 2023/2024. A monthly dashboard reporting the achievements of key strategic drivers to the Board, was introduced during 2023.

Risk policies and the risk management framework are regularly monitored by the Risk Management Unit and reported to the Board Integrated Risk Management Committee and the Board which strengthens the business strategy. The policies are reviewed periodically or when the need arises in order to dynamically manage risk appetite of the Bank.

The internal Project Management Office (PMO) in collaboration with the management focused on driving the results of the selected priorities of the corporate strategy as per an agreed operational plan.

Risk Management

The Board has delegated the responsibility for formulating and implementing prudent risk management policies, to its subcommittee, the Board Integrated Risk Management Committee (BIRMC). The BIRMC ensures/monitors the Bank's Risk Unit headed by the Chief Risk Officer, identifies principal risks and puts in place policies and guidelines to be reviewed and approved by the Committee. Systems put in place were being tested by the Risk Management Unit. Minutes and reports of BIRMC Committee meetings are submitted to the Board regularly.

During the year, the Board ensured that the implementation of overall business strategy and the goals and targets were aligned

with the Bank's overall risk assessment and risk appetite. The Board approved the Integrated Risk Management Policy and other risk management policies and procedures in place to constitute the overall Risk Management Framework of the Bank which were constantly tested and reviewed by the Risk Management Unit and the status was reviewed by the BIRMC.

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

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

The Board has adopted the following policies in this regard:

- Stakeholder Engagement Policy: An internal document which sets out the method of engagement with stakeholders who impact and influence the Bank's long term resilience, specifying the lines of authority for communication with them in the ordinary course of business. This Policy is reviewed by the Board Governance and Compliance Committee and the Board periodically.
- Customer Charter (Customers include depositors and borrowers): This document which is published in all three languages on the Bank's website, www.seylan.lk outlines the Bank's policy on dealing with customers, handling customer complaints, contact information for making complaints to the Bank and/or to the Financial Ombudsman.
- Shareholder Communication Policy: Accessible on the Bank's website, www.seylan.lk. This Policy was set out with the objective of enhancing long term shareholder value and to ensure that shareholders have timely access to publicly available information of the Bank. This Policy is reviewed by the Board Governance and Compliance Committee and the Board periodically.
- Communication Policy: This Policy provides guiding principles to the staff on both internal and external communication, mainly the dissemination of corporate information to the media.

CORPORATE GOVERNANCE

 Information Disclosure Policy: This Policy is an internal document which sets out guidelines for a governance framework in disclosing information by the Bank such as financial information, governance information, risk information and any other relevant information that is required to be disclosed to shareholders, employees, existing and potential investors, customers, creditors and other stakeholders (including public) in a timely manner and in an accurate, fair, complete comprehensive and efficient way.

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

In order for the Internal control systems to be effective, its components to be present and function effectively for operations, financial reporting and compliance. These responsibilities come under the purview of the Board Audit Committee (BAC) and are dealt with by the BAC. The BAC ensures that the internal control systems within the organization is adequate. This responsibility includes determining the extent to which internal controls are evaluated by the internal and external auditors. The confirmed Minutes of the BAC are submitted to the Board periodically for perusal of the proceedings of the BAC and also for the concurrence of the decision/actions taken by the BAC.

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

As per the International Accounting Standards, Key Management Personnel (KMPs) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. All members of the Board of Directors and members of the senior management in the grade of Assistant General Manager and above and other officers performing executive functions as per the Banking Act Determination No. 01 of 2019 are deemed as KMPs by the Bank. Their appointments were recommended by the Board Nomination Committee and approved by the Board.

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

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

The duties and responsibilities of the Board of Directors are stipulated in relevant statutes and governance codes/guidelines and have been incorporated in the Bank's Corporate Governance Framework and other applicable policies. The areas of authority of the KMPs are defined in their respective Job Description documents.

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

The objective of effective management oversight is to ensure that management is involved in and clearly committed to the delivery of the results. The Board was satisfied that there was appropriate oversight of the affairs of the Bank by the KMPs. Communication of Board approved policies and decisions are conveved through Board minute extracts to the Key Management Personnel. Appropriate follow up actions and reports/decisions of relevant key Management Personnel confirm their required oversight on relevant matters. The Board also exercises appropriate oversight on the affairs of the Key Management Personnel who attend respective Subcommittee Meetings. The Board Subcommittees exercise their powers as delegated by the Board vide their respective Board approved Terms of Reference.

The monthly management reports presented to the Board by the Chief Financial Officer ('CFO') provide an overall account of the performance of the Bank and of the business units and support units, against the agreed strategic objectives and targets. In addition, progress of Capital Adequacy Ratio, Liquidity position, utilization of Capital Expenditure were submitted. These were reviewed and deliberated in depth by the Board members at Board meetings at which the CFO and Director/CEO answer queries and provide clarifications to the Board.

Reports, Board papers and/or proposals submitted by KMPs to the Board and Board Subcommittees for information, review and concurrence or decision were pursuant to due diligence, identification of key risks and solutions for mitigation of such risks, highlighting the benefits and impact and placing their recommendations with reasoning and justifications. The proposals include those aligned to the instructions of the Board and/or its Subcommittees, Board policies, and those arising from management level strategic decisions at meetings headed by the Director/CEO. KMPs make presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.

3(1)(i)(i) ⊘ - Effectiveness of the Board's own governance practices/ Board Assessments

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

The Board reviews and discusses the Board's effectiveness as required herein including those of the Board appointed Committees on an annual basis. This was made possible by the Subcommittee Self Evaluation Reports and responses of the directors to a standard questionnaire/ checklist issued to them annually. Additionally, directors also submit their Self-Assessment reports on an annual basis.

As a progressive governance initiative, an Evaluation of Board Chairman's performance was introduced in respect of year 2022 onwards. Evaluations done by the Directors were tabled at the meetings of the Board Governance and Compliance Committee and the Board during the year for review. Reviewing the effectiveness of the Board's performance and that of its Committees were done annually. Each Director completes a detailed questionnaire annually with responses on the governance practices adopted by the Board/Bank, which included the following:

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

The results of the Board Performance Evaluation were collated by the Company Secretary and submitted for review and comments and/or recommendations of the Board Governance and Compliance Committee (BGCC) and thereafter submitted to the Board during the year, for an overall assessment of the Board effectiveness and decisions where appropriate. The results reflected that the Board and Board Subcommittees have made valuable contributions towards the Board's responsibilities.

Meetings of the Independent Directors which are headed by the Senior Independent Director of the Bank ('SID') are forums which discuss on methodology and process for Board Evaluation. Consequent to the resignation of former Senior Director/ Independent Director of the Bank Mr A S Wijesinha, Ms Sandya K Salgado was appointed as the Senior Independent Director with effect from 06 November 2023. Meeting of the Independent Directors held in December 2023 discussed the framework for the meetings of the Independent Directors, the role of the Senior Independent Director as the Chairperson of the Meetings, periodical evaluation of

Board performance including evaluation of Chairman's performance, Senior Independent Director's Terms of Reference in place and the revised Rules of the CSE (which came into effect from October 2023) which stipulated requirements for a SID.

A Report submitted by SID is published on page 115 in this Annual Report.

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

This responsibility is vested with the Board Nomination Committee ('BNC'). Succession Plan of KMPs with the first and second level succession planning arrangements of said KMPs was reviewed. The Committee deliberated on medium term and long-term succession and planned and un-planned succession taking into account the organizational or functional needs arising time to time and the need to review the said Succession Plan annually. The importance of providing trainings for first and second line successors identified for specific roles and their regular evaluations to be made by the management was noted.

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

Key Management Personnel heading different areas of authority and the Director/ CEO were invited to the meetings of Board Subcommittees which exercise the oversight on respective areas as well as to Board meetings at which the Board discussed the progress and the extent to which policies, corporate strategies and objectives of the Bank were implemented and achieved whilst advising and providing relevant directions to the management.

3(1)(i)(l) 🕗 - Understanding of the Regulatory Environment - The Board members by their own professional virtues keep abreast of the changes in the regulatory environment and were updated by the Head of Compliance and the other KMPs such as the Chief Financial Officer and the Company Secretary of the changes in the regulatory environment relating to or affecting the licensed commercial banks in general and/or the activities of the Bank, at the Board Subcommittee level and at Board level. The Board discusses and/or advises/endorses the steps taken to comply with such changes as appropriate. The Bank maintains an effective dialogue and relationship with the regulators.

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

The Board Audit Committee is vested with the responsibility of exercising due diligence and oversight in making necessary recommendations to the Board to appoint External Auditors.

The Committee reviews and ensures the change of the Audit Engagement Partner every five years in compliance with applicable regulatory requirements and appropriate disclosures are made in confirmation of such a change if and when due.

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

Non-Executive Director, Mr W M R S Dias was appointed as the Chairman of the Bank with effect from 9 May 2016.

Mr Ramesh Jayasekara was appointed as the Director/CEO on 01 May 2023 upon former Director/CEO Mr Kapila Ariyaratne's retirement on 30 April 2023.

The functions and responsibilities of the Chairman are as defined in section 3(5) of the Banking Act Directions which are distinct from the role and responsibilities of the CEO who reports to the Board, and CEO's functions and responsibilities are defined in his Job Description as approved by the Board.

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

Twelve regular meetings were held monthly during the year 2023 with the active participation of Directors. Additionally, four (04) special meetings were also held during the year to consider important issues.

Quorum - The quorum for the Board Meetings is minimum 5 members or above 50% of the number on the Board whichever is higher with the presence of majority Non-Executive Directors. The quorum required in this manner was maintained from commencement to the conclusion of proceedings of Board Meetings held during the year. 96

CORPORATE GOVERNANCE

Directors actively participated, shared their views and made valuable contributions at Board proceedings. Resolutions by circulation were restricted to matters of routine nature and/or for urgent business requirements with the prior clearance received from the Chairman of the Board. A summarized report of all such resolutions passed, were confirmed/ratified at the immediate regular monthly Board meeting. The Directors' attendance at Board meetings are disclosed in the table under 3(1)(vi) below. the opportunity to include matters and/or proposals relating to business of the Bank and other relevant matters to be considered at the regular monthly Board Meetings. Directors proposed and collectively agreed on any additional matters to be included in the agendas of future Board Meetings and/or Board Subcommittee meetings. Papers and information were provided by the Management to comply with any such requests of the Board prior to such Board meetings.

3(1)(iv) 🕑 - Agenda

Board meetings are scheduled monthly. Directors are noticed of the date of the next meeting well in advance. Directors had 3(1)(v) ◆ - Notice of Meeting Notices for the regular monthly meetings of the Board of Directors were emailed by the Company Secretary to the Directors as well as to the Management at least three weeks prior to the date of the meeting. The agenda along with the connected papers/ reports were circulated to the Directors by uploading them to the Board Papers Application System, "Seylan BoardPAC" and accessed by the Directors from their application devices.

3(1)(vi) 🗸 Attendance

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

Director	Status*	Meetings eligible to attend	Meetings Attended	As a Percentage (%)
Mr W M R S Dias	Non-IND NED/Chairman	16	16	100.00
Mr Kapila Ariyaratne**	EXD/CEO	5	5	100.00
Mr S Viran Corea	Non-IND NED	16	16	100.00
Mr A S Wijesinha***	IND NED/Senior Director	10	7	70.00
Ms Sandya K Salgado	IND NED/Senior Independent Director	16	13	81.25
Mr D M D Krishan Thilakaratne	Non-IND NED	15	12	80.00
Mr D R Abeysuriya ****	IND NED	12	11	91.66
Mr D M Rupasinghe	IND NED	16	14	87.50
Mr L H A Lakshman Silva	IND NED	16	14	87.50
Ms V G S Sunjeevani Kotakadeniya	Non-IND NED	15	13	86.66
Ms Averil A Ludowyke	IND NED	16	16	100.00
Mr Ramesh Jayasekara*****	EXD/CEO	11	11	100.00

*Status of Directorship, NED – Non-Executive Director; IND – Independent; EXD – Executive Director

** Retired on 30 April 2023

*** Resigned w.e.f. 21 September 2023

**** Directorship ceased due to his demise on 25 October 2023

***** Appointed to the Board on 01 May 2023

3(1)(vii) 💙 - Company Secretary

Ms Saraswathie Poulraj who is an Attorneyat-Law is the Company Secretary of the Bank appointed by the Board with effect from 08 May 2022. She is also registered as a Secretary in accordance with the Companies (Secretaries) Regulations No. 1 of 2023 made under Section 527 read with Section 222 of the Companies Act No. 07 of 2007. In conformity with Section 43 of the Banking Act No. 30 of 1988 (as amended), she is not an employee of any other organization or institution. The Board approved Job Description of the Company Secretary includes the roles and responsibilities of a Company Secretary/Board Secretary to be performed in compliance with the relevant laws, regulations and the Articles of Association of the Bank.

The Company Secretary's primary responsibilities include, but not limited to assisting the Chairman and the

Chairpersons of the Subcommittees to make arrangements to convene meetings, preparing meeting agendas and convening and conducting shareholders' meetings in line with the regulations and Articles of Association of the Bank. Among other functions, she oversees the administration and day to day operations of the Company Secretariat of the Bank including the registrar's functions, capital issues, communications with shareholders, and communication with regulatory authorities, mainly the Colombo Stock Exchange, the Registrar of Companies and the Central Bank of Sri Lanka.

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

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

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

Minutes of Board Meetings are prepared and circulated to the Directors to enable them to peruse the same and confirm or rectify and record any discrepancy at the subsequent Board Meeting. Minutes are maintained by the Company Secretary for inspection or apprising the Directors of any past decisions as may be required by any director on reasonable notice. Minutes of Board meetings are recorded by the Company Secretary to enable a proper assessment to be made of the extent of deliberations at the meetings.

Every paper submitted to the Board seeking approval of the Board contains recommendations from the executive management and also discloses a reasonable basis for making such recommendations.

3(1)(xi) **⊘** - Independent professional advice

The Directors are permitted to seek independent professional advice on any matters at the expense of the Bank in furtherance of their duties and contribution at Board and Board Subcommittee meetings in the interest of the Bank whenever required. The 'Policy on Seeking Independent Professional Advice by Directors' was reviewed and revised by the Board Governance and Compliance Committee and approved by the Board during the year and included a provision (among other) to seek professional advice from an individual/firm/party outside Sri Lanka, subject to proper evaluation and securing approvals therefore, if and when needed.

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

If a Director has a conflict of interest in a matter to be considered by the Board or by a Board Subcommittee, which has been determined to be material, the Company Secretary and/or the Chairman or the Director/s concerned draws attention of the Board to such interest (Directors' interest in contract or related party interest), prior to such proposal or matter is to be discussed and decided upon at the meeting. Directors generally refrain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest. Directors abstain from voting on any resolution in which the Directors have related party interests or are interested by virtue of their directorships. Declarations on Directors' Interests called for by the Company Secretary from the Directors have been updated on a regular basis which enables to ascertain any interests when transactions of interest are discussed by the Board.

The Code of Business Conduct and Ethics for Directors and the Policy on Related Party Transactions and Conflicts of Interest has laid down principles and procedures in this regard which the Directors are familiar of.

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

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

3(1) (xiv) ♥ - Bank's ability/inability to meet its obligations on payments The Board has readopted the reviewed and revised Contingency Funding Plan (CFP) which was approved by the Board. This policy document covers the procedures to be followed in a liquidity crisis situation and the stage when Central Bank is to be kept informed on the measures taken to keep up solvency. Such a situation has not arisen during the period under review.

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

The Bank complied with regulatory and prudential requirements relating to capital adequacy as required by the Monetary Board under Banking Act Direction No. 01 of 2016 (as amended) on Capital Requirements under BASEL III for Licensed Commercial Banks and Licensed Specialized Banks. The Capital Adequacy Position based on the Capital Augmentation Plan (CAP) was reviewed during the year. Chief Financial Officer submitted a paper on the position of capital adequacy monthly to update status to the Board. The Board approved Capital Augmentation Plan was submitted to Central Bank in May 2023. The Bank submitted the revised Capital Augmentation Plan to Central Bank in December 2023.

The Board has ensured to take appropriate steps to stay capitalized as required in terms of the requirements of the Central Bank. The total Capital Ratio as at 31 December 2023 based on certified audited financials was 15.84% (well above the minimum regulatory requirement of 12.50%).

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

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

3(1) (xvii) ✓ - Scheme of Selfassessment

Each member of the Board submitted his/her own self-assessment report reporting on the extent of their respective contributions to the Board and to the Board Subcommittees they were attached to. The self-assessment reports submitted by the Directors are tabled at Board Meetings and are filed for records by the Company Secretary.

These facilitated the Board members to assess the extent to which they have fulfilled their duties and responsibilities and 98

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further it ensured that appropriate processes are in place to ensure due diligence to planning and oversight over the organization. The process and approach for evaluations have been reviewed and the adoption of improvements is being done.

3(2) THE BOARD'S COMPOSITION

3(2) (i) 🕗 - Board Composition

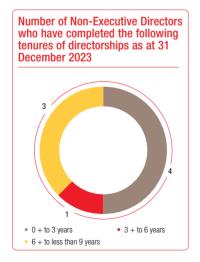
The Bank is in compliance with this section of the Banking Act Directions, i.e. that the composition of the Board to be not less than seven directors and not more than thirteen directors at any one time as described in the table below.

No.	Director	Status*	Date of Appointment	Period served as at 31 December 2023
1.	Mr W M R S Dias	Non-IND NED /Chairman	29 May 2015	8 years, 7 months
2.	Mr Kapila Ariyaratne	EXD/Chief Executive Officer	16 February 2015	Retired on 30 April 2023 after completion of 8 years, 2 months
3.	Mr Ramesh Jayasekara	EXD/Chief Executive Officer	01 May 2023	8 months
4.	Mr S Viran Corea	Non-IND NED	14 May 2015	8 years , 7 months
5.	Mr A S Wijesinha	IND NED Senior Director	1 December 2016	Resigned on 21 September 2023 after completion of 6 years, 9 months
6.	Ms Sandya K Salgado	IND NED Senior Independent Director	1 December 2016	7 years, I month
7.	Mr D M D Krishan Thilakaratne	Non-IND NED	1 October 2018	5 years, 3 months
8.	Mr D R Abeysuriya	IND NED	17 October 2018	Directorship ceased due to his demise on 25 October 2023, after completion of 5 years
9.	Mr D M Rupasinghe	IND NED	1 October 2021	2 years, 3 months
10.	Mr L H A Lakshman Silva	IND NED	18 July 2022	1 year, 5 months
11.	Ms V G S Sunjeevani Kotakadeniya	Non-IND NED	17 August 2022	1 year, 4 months
12.	Ms Averil A Ludowyke	IND NED	17 August 2022	1 year, 4 months

*Status of Directorship, NED - Non-Executive Director; IND - Independent; EXD - Executive Director

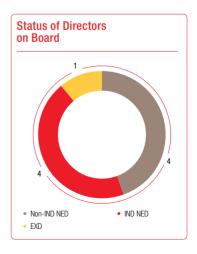
3(2) (ii) • Period of Service of Directors other than a Director who holds the position of CEO

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



The Board comprised only one Executive Director throughout (Mr Kapila Ariyaratne, former Director/CEO until 30 April 2023 and present Director/CEO, Mr Ramesh Jayasekara from 01 May 2023 onwards) and all others were Non-Executive Directors, including the Chairman of the Board. Thus the Bank complied with this direction which states that Executive Directors on the board shall not exceed one third of the total number.

3(2)(iv) *Q* - Independent Directors This Direction states that the minimum requirement of Independent Non-Executive Directors shall be three or one-third of the total number of directors on the board, whichever is higher. The Board comprised four (04) Independent Non-executive Directors out of the total Nine (09) Directors of the Board as at 31 December 2023. The Board comprised the minimum number of Independent, Non-Executive Directors throughout the year 2023. The criteria stated herein are reviewed vide declarations submitted by the Directors. Determination of Independence: The Board determined the Independent and Non-Independent status of the Non-Executive Directors based on the declarations submitted by respective Directors in accordance with the criteria defined in sections 3(2)(iv) and 3(5)(iii) of the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka, and also in terms of applicable sections of the Rules of the Colombo Stock Exchange (as amended).



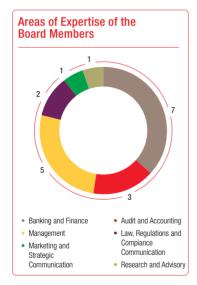
3(2)(v) 🕗 - Alternate Directors

There were no alternate Directors appointed to represent any director during the year.

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

The Directors on the Board were professionals with extensive experience, skills and proven track records, in the field of banking, finance, management, accounting, auditing, law, economics, research, marketing, strategic communications, etc. Their profiles are published in the Annual Report. Their knowledge and expertise brought comprehensive oversight and independent judgement on issues of strategy, operations of the Bank with a broader focus on financial, compliance and reputational risks, thus supporting a greater supervision on the Board and in the evaluation and decisionmaking process.

The Board Nomination Committee is vested with the responsibility of recommending Directors' appointment and is guided by the Terms of Reference of the Committee (with amendments thereto time to time) and the Board approved procedure for appointment of Directors.



Gender Diversity: This was another aspect that the Board takes into consideration when nominees were considered for Board appointments. The Board of Directors comprised 33% female Directors and 67% male Directors as at 31 December 2023. 3(2)(vii) ♥ - Non-Executive Directors composition at Board Meetings

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

The quorum for Board Meetings is fixed at minimum five members or 50% of the number on the Board whichever is higher. Since the Bank has only one executive director, this requirement was complied.

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

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

3(2)(ix) − Procedure for Appointment of Directors

The Board approved Policy Governing Directors' Appointment which is in place (and subject to amendments time to time), acts as a guideline to the Board when appointments to the Board are considered. The Board Nomination Committee is vested with the responsibility of identifying new directors and/or considering the suitability of nominations referred to the Committee.

Upon the retirement of Mr Kapila Ariyaratne, former Director/CEO, Mr Ramesh Jayasekara was appointed as the Director/ CEO w.e.f. 01 May 2023. Requirements as stipulated under Banking Act Directions No 01 of 2019 and 08 of 2019 have been complied in formalizing the said Board change.

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

In terms of Article 89 of the Articles of Association, a director who is appointed after an Annual General Meeting (AGM) of the Bank is subject to election by the shareholders at the AGM that follows his or her appointment. The following Directors who were appointed in 2022 to fill the casual vacancies on the Board were reelected by the Shareholders at the Annual General Meeting held on 30 March 2023.

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

There were no directors appointed during the year 2023 to fill any casual vacancy.

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

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

Market announcements were published in the CSE website in respect of the retirement of former Director/CEO Mr Kapila Ariyaratne on 30 April 2023, resignation of former Senior Director/Independent Director, Mr A S Wijesinha effective 21 September 2023 and the demise of Mr D R Abeysuriya on 25 October 2023.

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

No Director and no employee of the Bank has been appointed, elected or nominated as a director of another Bank. The Bank has stipulated this requirement in its Corporate Governance Framework, in the Policy Governing Directors' Appointment and in the letters of appointment issued to employees and the Employee Manual and related policies of the Bank. Profiles of persons proposed/nominated to the Board are first reviewed by the Board Nomination Committee in making its recommendations to assess whether they are compliant with this direction. The letters of appointment 100

issued to employees stipulate that they are not permitted to take up employment or appointments in other corporates which includes banks.

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

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

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

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

The related section of the Banking Act Direction stipulates that a person who is over 70 years of age shall not serve as a Director. No Director of the Bank who was over 70 years of age served in the Board during the year 2023.

The Delegation Process of the Bank

3(3)(ii) (amended by Direction No. 03 of 2013) 📀 - Directorships in other companies/institutions

No Director held directorships in more than 20 companies/entities/institutions inclusive of the Subsidiary of the Bank during the year 2023.

The Bank will ensure that a director or a Chief Executive Officer of another licensed bank operating in Sri Lanka will not be considered for appointment before the expiry of a period of 6 months (coolingoff period) from the date of cessation of his/her office at the licensed bank in Sri Lanka, and that any variations thereto in exceptional situations will be subject to the prior approval of the Monetary Board. There was no appointment of a new director to the Board, during 2023.

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

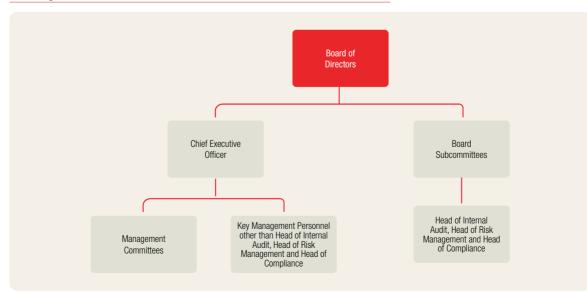
3(4)(i)-(iii) ♥ - Board delegation arrangements in place

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

the Board Subcommittees consisting of such member or members as the Board thinks fit or to the Chief Executive Officer and/or to the key management personnel (KMPs) as appropriate.

The Board has delegated matters pertaining to the affairs of the Bank to the Board Subcommittees within the scope of the respective Terms of Reference which are approved by the Board, to the CEO and to other key management personnel/ line management through approved delegated authority limits and the scope of their approved job descriptions which are reviewed from time to time. The Board approves delegation of authority limits on credit and other transactions on need basis.

New delegation processes or revisions to the existing delegation processes as proposed and recommended by the CEO and the relevant KMPs took into account business needs and structural changes and with the recommendations of the Subcommittees overlooking the subject matter, were considered and approved/ decided by the Board. The Board's review of the Terms of References, policies and procedures in place from time to time based on the recommendations made by the management and Subcommittees ensured that the delegation processes in place remain relevant to the needs of the Bank. Recommendations from the line management/CEO either direct or through the Board subcommittees are submitted to the Board for review and approval/decision.



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

The role and responsibilities of the Bank's Chairman and that of the CEO are separate and distinct and the Board has outlined them in the Corporate Governance Framework of the Bank. The Chairman and the CEO execute their respective roles in coordination with each other and/or with the Board to reach high-level decisions in the best interest of the Bank. Chairman provides leadership to the Board while the CEO manages the day to day operations of the Bank giving effect to the strategies and policies approved by the Board. Mr W M R S Dias, Non-Executive Director is the Chairman of the Bank, whilst Mr Kapila Ariyaratne (till 30 April 2023) and Mr Ramesh Jayasekara (from 01 May 2023 onwards) functioned as the Director/CEO.

3(5)(ii) **⊘** - Independent status of the Chairman

Chairman. Mr W M R S Dias is a Non-Executive Director. He was determined as 'Non-Independent', as he was nominated to the Board by Sri Lanka Insurance Corporation Ltd, a material shareholder of the Bank. Therefore, a Board approved Terms of Reference for the appointment of Senior Director has been in place. Mr A S Wijesinha, who was appointed as the Senior Director of the Bank since 23 September 2022 (after the retirement of former Senior Director Ms M C Pietersz on 22 September 2022), resigned from the Board with effect from 21 September 2023. Independent, Non-Executive Director, Ms Sandya K Salgado was appointed as the Senior Independent Director effective 06 November 2023. Board Nomination Committee at their meeting held on 13 October 2023, recommended late Mr Ravi Abeysuriya as the Senior Independent Director of the Bank subject to the approval of the Board. However, due to the demise of Mr Abeysuriya on 25 October 2023 said recommendation was not formalized.

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

The declarations submitted by the Directors upon appointment and annually by the continuing Directors as well as the declaration submitted by the CEO confirm that no relationship of any nature (including financial, business, family or other material/ relevant relationships) existed between the Chairman and the CEO (who is also a member of the Board) and also did not exist amongst the members on the Board. during the year 2023. However, Directors, Mr D M D Krishan Thilakaratne and Ms V G S Sunjeevani Kotakadeniya were nominated to the Board by the Bank's material shareholders, Brown & Company PLC and LOLC Investments Ltd and represent common interests; whilst Directors, Mr W M R S Dias and Mr S Viran Corea were similarly nominated to the Board by the Bank's material shareholder, Sri Lanka Insurance Corporation Ltd. However, these two directors do not hold any directorships or positions in SLIC.

3(5)(iv)-(x) 🕗 - Chairman's Role

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

- Providing leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, it is ensured that all key and appropriate issues are discussed by the Board in a timely manner.
- The responsibility for preparation of the formal agenda to the Board Meetings is delegated to the Company Secretary who takes into consideration any matters advised by the Chairman and any concerns raised by other Directors.
- Ensuring that Board papers covering adequate information of matters are circulated well in advance prior to the meeting in order to ensure that the Directors, especially new Directors on the Board are duly briefed on issues arising for deliberation at Board meetings.
- The Board has a self evaluation process to review the effectiveness of their contribution to the Board's affairs with the Chairman taking the lead role.
- Promoting effective relationships and open communication to create an environment that allows constructive debates and challenges between

Non-Executive Directors and the management.

- Encouraging all Directors to make an active contribution and ensures that the deliberations and decisions of the Board are in the best interest of the Bank.
- Not engaging in direct supervision of the key management personnel or in any other executive duties and was only engaged in the oversight capacity along with the other Non-Executive Directors.
- Ensuring that effective communication with shareholders was maintained and that an understanding of the stakeholder views was in place. The general meetings of the Bank were the main forums utilized by the Board as well as the shareholders of the Bank for an effective dialogue with one another while other channels of communication were also being used to ensure that shareholders and all interested parties have equal access to corporate information (interim financial statements and Annual Reports) in the public domain. Corporate announcements and information will be disseminated in accordance with the legal and regulatory requirements applicable to the Bank.

3(5)(xi) 🕑 Chief Executive Officer

Mr Kapila Ariyaratne continued as the Director/CEO until his retirement on 30 April 2023 and Mr Ramesh Jayasekara was appointed on 01 May 2023 as the Director/CEO. Mr Jayasekara functions as the Key Executive, who is in charge of the day to day management of the Bank's operations and business handled by the KMPs responsible for the different functions reporting to him. He reports directly to the Board of Directors and is accountable to the Board on the performance of the Bank.

3(6) BOARD APPOINTED COMMITTEES

3(6)(i) **⊘** - Subcommittees appointed by the Board

The Board has established Twelve Board Subcommittees (as listed below), which includes regulatory Committees and other Board Subcommittees:

CORPORATE GOVERNANCE

Committees established as per the Banking Act Directions

- Board Audit Committee
- Board Human Resources and Remuneration Committee
- Board Nomination Committee
- Board Integrated Risk Management Committee
- Board Procurement and Capital
 Expenditure Supervisory Committee
- Board Procurement and Capital Expenditure Supervisory Committee was established during the year, in compliance with Banking Act Direction No. 01 of 2023 dated 02 February 2023.
- Revised Rules of the CSE which came into effect from 01 October 2023 set out the requirement to appoint a 'Nominations and Governance Committee'. However, the Bank had two separate Subcommittees namely, Board Governance and Compliance Committee and Board Nomination Committee which were in existence when the revised Listing Rules of the

Scope and Objectives of the Committee

(1) Board Audit Committee

Providing insights to the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the Code of conduct.

[Please also refer section 3(6)(ii) in this Corporate Governance Report and also the Report of the Committee on pages 116-117 for more disclosures]

(2) Board Human Resources and Remuneration Committee

To assist and make recommendations to the Board of Directors in exercising its' oversight role and responsibilities on matters related to human resource strategies and policies, and determination of compensation, benefits and remuneration for the Directors, the Chief Executive Officer (CEO) and Key Management Personnel (KMPs) of the Bank.

[Please also refer section 3(6)(iii) in this Corporate Governance Report and also the Report of the Committee on pages 118-119 for more disclosures]

Committees established as per the Rules of the Colombo Stock Exchange and/or as per the Code of Best Practice on Corporate Governance, issued by the ICASL

- Board Audit Committee
- Board Human Resources and Remuneration Committee
- Board Nomination Committee
- Related Party Transactions Review
 Committee
- Board Governance and Compliance
 Committee

CSE came into effect from 01 October 2023. Said Committees were carrying out their responsibilities based on two separate Terms of Reference.

Afore-stated Board appointed Subcommittees functioned within Board approved Terms of Reference and reported to the Board. All Committees were chaired by Independent Directors except for Board Credit Committee and Board Information Technology Committee which were chaired by Non-Independent, Non-Executive Directors as at 31 December 2023 (consequent to the changes of the Directorate during the year). Reports and papers that required the Board's attention

Composition / Membership / Quorum

Chairperson	Ms Averil A Ludowyke, Independent Non-Executive Director
Independent Non-Executive Directors	Ms Averil A Ludowyke, Mr D M Rupasinghe*
Non-independent Non-Executive Directors	Ms V G S Sunjeevani Kotakadeniya
Executive Directors	Nil
Quorum	Two members

* Consequent to the demise of Mr D R Abeysuriya, Independent Non-Executive Director, who was a Member of the Committee on 25 October 2023, the afore-stated composition was considered as re-constituted by the Board on 06 November 2023.

Chairman	Mr L H A Lakshman Silva, Independent Non-Executive Director
Independent Non-Executive Directors	Mr L H A Lakshman Silva, Ms Sandya K Salgado and Ms Averil A Ludowyke (appointed as a Member w.e.f. 24 October 2023)*
Non-independent Non-Executive Directors	Mr S Viran Corea and Mr D M D Krishan Thilakaratne
Executive Directors	Nil
Quorum	Two members

* The Committee was re-constituted w.e.f. 24 October 2023. Ms Averil A Ludowyke Independent Non-Executive Director was appointed w.e.f. 24 October 2023 in place of Mr D R Abeysuriya Independent Non-Executive Director.

Additional Committees established by the Board

- Board Credit Committee
- Board Marketing and Product Development Committee
- Board Sustainability Committee
- Board Strategic Plan Committee
- Board Information Technology Committee

and/or decisions were followed up and circulated to the Board along with copies of confirmed minutes of the Committee meetings by the respective Committee Secretary/Company Secretary.

The following table provides a summary of the scope and objectives, composition and membership of Directors of the Subcommittees as at 31 December 2023. Individual reports of the respective Subcommittees as mandated by the Banking Act Directions and the Rules of the Colombo Stock Exchange have also been published in the Annual Report as pertinent to the disclosure requirements applicable for 2023.

Scope and Objectives of the Committee (3) Board Nomination Committee

Composition / Membership / Quorum

	Chairmai
To assist the Board in fulfilling the role and	
responsibilities involving appointment of Directors	Independ
and Key Management Personnel of the Bank.	Directors

[Please also refer section 3(6)(iv) in this Corporate Governance Report and also the Report of the Committee on pages 120-121 for more disclosures]

Chairman	Mr D M Rupasinghe, Independent Non-Executive Director (*appointed as the Chairman w.e.f. 12 October 2023),
Independent Non-Executive Directors	Mr D M Rupasinghe, Mr L H A Lakshman Silva * Ms Sandya K Salgado, Senior Independent Director (appointed as a Member w.e.f.31 October 2023)
Non-independent Non-Executive Directors	Mr W M R S Dias and Ms V G S Sunjeevani Kotakadeniya
Executive Directors	Nil
Quorum	Two members

* Mr A S Wijesinha, Independent Non-Executive Director/Senior Director, Chairman of the Committee resigned from the Board w.e.f. 21 September 2023

** Mr D R Abeysuriya, Independent Non-Executive Director was appointed as a Member w.e.f. 12 October 2023. Consequent to the demise of Mr D R Abeysuriya on 25 October 2023, the Committee was further re-constituted on 31 October 2023 and the composition was as stated above.

(4) Board Integrated Risk Management Committee

To assess all risks facing the Bank and its reputation, namely, credit, market, liquidity, operational and strategic Risks on a regular basis through appropriate risk indicators and management information, and also to assess the risks faced by the subsidiary.

[Please also refer section 3(6)(v) in this Corporate Governance Report and also the Report of the Committee on pages 123-124 for more disclosures]

(5) Related Party Transactions Review Committee

To review Related Party Transactions as required by the Listing Rules of the Colombo Stock Exchange (and any amendment from time to time) and the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka.

[Please also refer section 3(7) in this Corporate Governance Report and also the Report of the Committee on page 122 for more disclosures]

Chairman	Mr D M Rupasinghe, Independent Non-Executive Director (appointed as the Chairman w.e.f. 06 November 2023),
Independent Non-Executive Directors	Mr D M Rupasinghe Mr L H A Lakshman Silva and Ms Averil A Ludowyke*
Non-Independent Non-Executive Directors	Mr W M R S Dias
Executive Directors	Mr Ramesh Jayasekara (appointed as a Member w.e.f. 01 May 2023)**
Management	Mr L A S Fernando - Chief Risk Officer (Non-Board Member)
Quorum	Two members

* Consequent to the demise of Mr D R Abeysuriya, Independent, Non-Executive Director, Chairman of the Committee on 25 October 2023, the Committee was re-constituted and the composition was as stated above.

** Director/Chief Executive Officer, Mr Kapila Ariyaratne retired on 30 April 2023

Chairman	Mr L H A Lakshman Silva, Independent Non-Executive Director (*appointed as the Chairman w.e.f. 24 October 2023)
Independent Non-Executive Directors	Mr L H A Lakshman Silva and Ms Averil A Ludowyke
Non-independent Non-Executive Directors	Mr S Viran Corea
Executive Directors	Nil
Quorum	Three members

* Mr A S Wijesinha, Independent Non-Executive Director/Senior Director, Member of the Committee Resigned from the Board w.e.f. 21 September 2023.

* Mr L H A Lakshman Silva was appointed as the Chairman of the Committee w.e.f. 24 October 2023. Mr D R Abeysuriya's directorship and membership ceased due to his demise on 25 October 2023.

* Consequent to the demise of Mr D R Abeysuriya on 25 October 2023, the Committee composition as stated above was noted as re-constituted by the Board, on 06 November 2023.

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Scope and Objectives of the Committee

(6) Board Credit Committee

To Improve the business and soundness of the Bank and to promote and reinforce a robust and pervasive credit risk acceptance and management culture by reviewing and guiding/recommending/ approving (as appropriate);

- credit facilities;
- improving credit policies, procedures and lending guidelines;
- Processes for recoveries, empowerment and accountability for credit decision making.

Composition / Membership / Quorum Chairman Mr D M D Krishan Thilakaratne, Non-Executive Director (*appointed as the Chairman of the Committee we f O

Chairman	Mr D M D Krishan I hilakarathe, Non-Executive Director (*appointed as the Chairman of the Committee w.e.f. 06 November 2023)
Independent Non-Executive Directors	Nil*
Non-independent Non-Executive Directors	Mr S Viran Corea and Mr D M D Krishan Thilakaratne
Executive Directors	Mr Ramesh Jayasekara (appointed as a Member w.e.f. 01 May 2023)**
Quorum	Two members

* Mr A S Wijesinha, Independent Non-Executive Director/Senior Director, Chairman of the Committee resigned from the Board w.e.f. 21 September 2023. Mr D R Abeysuriya, Independent, Non-Executive Director was proposed to be appointed as the Chairman of the Committee, as per the Committee re-constitution decided on 24 October 2023, however due to his demise on 25 October 2023, Non-Executive Director, Mr D M D Krishan Thilakaratne was appointed as the Chairman of the Committee w.e.f. 06 November 2023.
** Director/Chief Executive Officer, Mr Kapila Ariyaratne retired from the Board on 30 April 2023

(7) Board Marketing and Product Development Committee

To review the overall Marketing plans of the Bank to ensure that the plans aim at optimizing value creation for the Bank and support the Strategic goals. Assess all deposit, lending and investment products of the Bank on a regular basis and satisfy itself that the Bank is actively pursuing new product opportunities and developing viable products with the aim of achieving business growth.

(8) Board Sustainability Committee To make decisions on behalf of the Board within the framework of the authority and responsibilities assigned to the Committee as set out in its Terms

of Reference.

Chairperson	Ms Sandya K Salgado, Independent Non-Executive Director/ Senior Independent Director
Independent Non-Executive Directors	Ms Sandya K Salgado*
Non-independent Non-Executive Directors	Mr W M R S Dias, Mr D M D Krishan Thilakaratne and Ms V G S Sunjeevani Kotakadeniya (appointed as a Member w.e.f. 24 October 2023)
Executive Directors	Mr Ramesh Jayasekara (appointed as a Member w.e.f. 01 May 2023)**
Quorum	Two members
resigned from the Board w.e.f. 21 S ** Director/Chief Executive Officer, M	fr Kapila Ariyaratne retired from the Board on 30 April 2023
Chairperson	Ms Sandya K Salgado, Independent Non-Executive Director/ Senior Independent Director
Independent Non-Executive Directors	Ms Sandya K Salgado
Non-Independent Non-Executive Directors	Mr S Viran Corea and Mr D M D Krishan Thilakaratne
Executive Directors	Mr Ramesh Jayasekara (appointed as a Member w.e.f. 01 May 2023)*
Quorum	Two members

Scope and Objectives of the Committee

(9) Board Governance and Compliance Committee

To assist the Board in adopting appropriate governance standards for the Bank in fulfilling the Board's responsibility for oversight of the Corporate Governance processes and practices and compliance practices of the Bank consistent with relevant rules, regulations and directions and principles in force and that may come into force from time to time.

Composition / Membership / Quorum		
Chairman	Mr D M Rupasinghe, Independent Non-Executive Director	
Independent Non-Executive Directors	Mr D M Rupasinghe, Ms Averil A Ludowyke and Mr L H A Lakshman Silva (appointed as a Member w.e.f. 24 October 2023)*	
Non-Independent Non-Executive Directors	Mr W M R S Dias and Mr S Viran Corea	
Executive Directors	Nil	
Quorum	Two members	

The revised Rules of the CSE which came into effect from 01 October 2023 required Listed Entities to appoint a 'Nominations and Governance Committee'. The Bank however, had a Board Governance and Compliance Committee in existence when the said revised Rules of the CSE came into effect, in addition to the Board Nomination Committee. Both Committees continued with two separate Terms of References ('TOR') governing respective Committees' composition, scope and the responsibilities clearly set out therein.

TOR of Board Nomination Committee vested the oversight responsibility on the Committee on Board Appointments and appointment of Directors to the Subcommittees, monitoring procedure relating to appointment of Directors and KMPs.

TOR of Board Governance and Compliance Committee vested the Committee with oversight responsibility on overall governance framework, review and update of governance polices and framework in compliance with the regulatory, statutory requirements.

The Board Governance and Compliance Committee was re-constituted w.e.f. 24 October 2023. Mr L H A Lakshman Silva, Independent, Non-Executive Director was appointed as a Member of the Committee.

Chairperson	Ms Sandya K Salgado, Independent Non-Executive Director/ Senior Independent Director (*appointed as the Chairperson of the Committee w.e.f. 24 October 2023)**
Independent Non-Executive Directors	Ms Sandya K Salgado
Non-Independent Non-Executive Directors	Ms V G S Sunjeevani Kotakadeniya (*appointed as a Member w.e.f. 24 October 2023)
Executive Directors	Mr Ramesh Jayasekara (appointed as a Member w.e.f. 01 May 2023)*
Quorum	Two members

* Director/Chief Executive Officer, Mr Kapila Ariyaratne retired on 30 April 2023

**Mr A S Wijesinha, Independent Non-Executive Director/Senior Director, Chairman of the Committee, resigned from the Board w.e.f. 21 September 2023

*** The Committee was re-constituted with the composition as stated above w.e.f. 24 October 2023. Mr D R Abeysuriya, Independent Non-Executive Director ceased to be a Member pursuant to said re-constitution.

(10) Board Strategic Plan Committee

To oversee, to monitor and to provide the necessary guidance to the management to drive and achieve the Strategic Plan objectives within the set timelines.

CORPORATE GOVERNANCE

Scope and Objectives of the Committee (11) Board Information Technology Committee

To assist the Board in fulfilling its' Corporate Governance and oversight responsibilities for the Bank's investments and strategy in relation to digital, information technology and information systems.

Composition / Membership / Quorum

Chairperson	Ms.V G S Sunjeevani Kotakadeniya, Non-Independent Non- Executive Director (*appointed as the Chairperson of the Committee w.e.f. 06 November 2023)
Independent Non-Executive Directors	Mr L H A Lakshman Silva**
Non-independent Non-Executive Directors	Ms.V G S Sunjeevani Kotakadeniya (appointed as a Member w.e.f. 24 October 2023 and as the Chairperson of the Committee on 06 November 2023)
Executive Directors	Mr Ramesh Jayasekara (appointed as a member w.e.f. 01 May 2023)*
Quorum	Two members

* Director/Chief Executive Officer, Mr Kapila Ariyaratne, Member of the Committee, retired on 30 April 2023

**Mr A S Wijesinha, Independent Non-Executive Director/Senior Director, Member of the Committee, resigned from the Board w.e.f. 21 September 2023

Director

*** Consequent to the demise of Mr D R Abeysuriya, Independent Non-Executive Director, Chairman of the Committee on 25 October 2023, Ms V G S Sunjeevani Kotakadeniya, who was appointed as a Member w.e.f. 24 October 2023 was appointed as the Chairperson of the Committee w.e.f. 06 November 2023 and the reconstituted Committee is as stated above.

(12) Board Procurement and Capital Expenditure Supervisory Committee

To evaluate and to approve/recommend nonessential and/or non-urgent expenditure and/or capital expenditure to be incurred by the Bank (if any) as required to ensure compliance in terms of Banking Act Direction No. 01 of 2023 dated 02 February 2023 (and any amendments thereto time to time).

This Committee was formed w.e.f. 28 March

2023.

 Independent Non-Executive
 Mr L H A Lakshman Silva, Ms Sandya K Salgado

 Directors
 Non-independent Non-Executive

 Directors
 Nil

 Executive Directors
 Mr Ramesh Jayasekara

 Quorum
 Two members

Mr L H A Lakshman Silva, Independent Non-Executive

* Consequent to the demise of Mr D R Abeysuriya, Independent Non-Executive Director, and Member of the Committee on 25 October 2023, the above Committee composition was noted as re-constituted w.e.f. 06 November 2023.

All these Committees carried out self-assessments and submitted their reports to the Board for review. Having reviewed the same, the Board was satisfied that the Committees have carried out their responsibilities in a satisfactory manner as per the requirements set out in respective Terms of References.

Chairman

Directors' Attendance at Subcommittee Meetings

Director C – Chairperson of Committee ; M – Member of the Committee	Audit	Human Resources and Remuneration	Nomination	Integrated Risk Management	Related Party Transactions Review	Credit	Marketing and Product Development	Sustainability	Governance and Compliance	Strategic Plan	Information Technology	Procurement
Mr W M R S Dias Non-Executive Director/ Chairman			(M) 5 of 5	(M) 9 of 10			(M) 3 of 3		(M) 4 of 4			
Mr Ramesh Jayasekara ** Director/Chief Executive Officer				(M) 8 of 8		(M) 18 of 18	(M) 1 of 1	(M) 3 of 3		(M) 3 of 3	(M) 2 of 2	(M) 3 of 3
Mr Kapila Ariyaratne* Director/Chief Executive Officer				(M) 2 of 2		(M) 6 of 8	(M) 2 of 2				(M) 1 of 1	
Mr S Viran Corea Non-Executive Director		(M) 4 of 6			(M) 5 of 5	(M) 26 of 26		(M) 3 of 3	(M) 4 of 4			
Mr A S Wijesinha Independent Director/ Senior Director***			(C) 3 of 3		(M) 2 of 2	(C) 19 of 19	(M) 2 of 2			(C) 2 of 2	(M) 2 of 2	
Ms Sandya K Salgado Senior Independent Director*****		(M) 6 of 6	(M) 1 of 1				(C) 3 of 3	(C) 3 of 3		(C) 3 of 3		(M) 3 of 3
Mr D M D Krishan Thilakaratne Non-Executive Director		(M) 6 of 6				(C) 22 of 26	(M) 3 of 3	(M) 3 of 3				
Mr D R Abeysuriya Independent Director ****	(M) 6 of 7	(M) 6 of 6	(M) 1 of 1	(C) 6 of 7	(C) 3 of 3					(M) 3 of 3	(C) 3 of 3	(M) 2 of 2
Mr D M Rupasinghe Independent Director	(M) 10 of 11		(C) 5 of 5	(C) 10 of 10					(C) 4 of 4			
Mr L H A Lakshman Silva Independent Director		(C) 6 of 6	(M) 5 of 5	(M) 10 of 10	(C) 2 of 2				(M) 1 of 1		(M) 3 of 3	(C) 3 of 3
Ms V G S Sunjeevani Kotakadeniya Non-Executive Director	(M) 11 of 11		(M) 5 of 5				(M) 1 of 1			(M) N/A	(C) N/A	
Ms Averil A Ludowyke Independent Director	(C) 11of 11	(M) N/A		(M) 10 of 10	(M) 5 of 5				(M) 4 of 4			

Appointment of Mr Ramesh, Javasekara as the Director/Chief Executive Officer we f 01 May 2023. Mr Ramesh, Javasekara is a Non-Independent/Executive Director on the Roard * Resignation of Independent, Non-Executive Director/ Senior Director, Mr A S Wijesinha from the Board w.e.f from 21 September 2023

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3(6)(ii) Board Audit Committee (BAC)

3(6)(ii)(a) - (ii)(b) 🕗 - Members and Chairperson of the Board Audit Committee

Ms Averil A Ludowyke (Independent Director appointed to the Board on 17 August 2022) [FCA (CA Sri Lanka), FCMA (UK)] was appointed as the Chairperson of the Committee w.e.f. 23 September 2022 and counts over 37 years of experience in auditing, accounting and finance. All Committee members are Non-executive Directors.

The BAC comprised four Non-Executive Directors till October 2023 and consequent to the demise of Mr D R Abeysuriya on 25 October 2023, the Committee comprised of Ms Averil A Ludowyke (Chairperson, Independent Non-Executive Director), Ms Sunjeevani Kotakadeniya (Non-Independent Non-Executive Director) and Mr D M Rupasinghe (Independent Non-Executive Director) which was noted as reconstituted by the Board of Directors w.e.f. 06 November 2023.

The Company Secretary of the Bank functioned as the Secretary to the Committee during the year.

3(6)(ii)(c) - (ii)(d) 🕗 - External Auditors The BAC reviewed and/or made relevant recommendations in this regard which included the following:

The present Audit partner of the External Auditors has been engaged in the Bank's audit from the 2019 financial year. The Audit Partner was not engaged in the Bank's audit prior to the current engagement. The Board at its Meeting held on 22 February 2023 concurred with the Board Audit Committee's recommendation for the re-appointment/engagement of M/s KPMG, as Auditors for the year 2023 which was approved by the Shareholders at the Annual General Meeting held on 30 March 2023.

- The implementation of guidelines issued by the Central Bank of Sri Lanka, the application of relevant accounting standards, including the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS) complying with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) in all material respects.
- Representations made by the External Auditors stating their independence,

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the objectivity and effectiveness of the audit processes in accordance with applicable standards and best practices in respect of the audit for the financial year 2023.

Prior to the publishing of this report in February 2024, the Committee determined the independence of the External Auditors, M/s KPMG, Chartered Accountants as per the provisions of the Companies Act and the ICASL's Code of Professional Conduct and recommended their reappointment as the Auditors of the Bank for the financial year 2024 subject to the concurrence of its recommendation by the Board and approval of the Shareholders at the forthcoming Annual General Meeting.

3(6)(ii)(e) <- Non-Audit Services The BAC reviewed the non-audit services provided by the External Auditors and was of the view that such services were not within the category of services identified as restricted under the guidelines issued by the Central Bank of Sri Lanka for External Auditors relating to their statutory duties in terms of section 39 of Banking Act No 30 of 1988 and as amended by Banking Act No. 33 of 1995. The Policy on the engagement of an external auditor to provide non-audit services is in place and was recommended by the Board Audit Committee and approved by the Board during the year.

Fees payable to External Auditors in respect of Audit and Non audit services provided were reviewed and recommended by the Committee and approved by the Board.

3(6)(ii)(f) 🗸 - Scope of External Audit The nature, scope and approach of audit in respect of the financial year 2023, was presented by the External Auditors, discussed and agreed upon at a meeting held with the Auditors in the last guarter 2023. The scope also covered the assessment of Bank's compliance with the Banking Act Directions on Corporate Governance and the management's internal controls over financial reporting; the preparation of financial statements in accordance with the relevant accounting principles and reporting obligations and compliance with Banking Act instructions, guidelines and directions.

The audit of the Bank's subsidiary was also carried out by the same External Auditor. Audit Partner engages with regular discussions with the CFO and the Committee, in view of Audit work that are in progress.

3(6)(ii)(g) ♥ - Review of the Bank's Financial Information

Internal Auditors performed certain audit procedures with regard to interim unaudited financial statements for the 3 months ended 31 March 2023 and 9 months ended 30 September 2023 and were checked by the Internal Auditors whilst the audited financial statements for the half-year ended 30 June 2023 and the year ended 31 December 2023 were reviewed/audited by the External Auditors, all of which were prepared from the Bank's accounting records, in accordance with the Accounting Standards and relevant legal and regulatory guidelines.

Meetings of the Committee are convened to review/discuss/comment and make recommendations on the reports and information presented by the Chief Financial Officer in order to ensure the relevance of the financial statements prepared for disclosure and published in the Bank's Annual Report and Accounts and guarterly unaudited financial statements and reports. The Committee also reviews the draft audited interim financial statements before they are submitted for Board's review. Observations/comments and appropriate changes recommended by the Auditors were taken into consideration and incorporated to the financial statements and submitted to the BAC by the Chief Financial Officer. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the contents of the financial statements, focusing on applicable accounting principles, reasonableness of significant adjustments and estimates, major judgmental areas, etc., which helped the Board in its oversight and decision on the Financial Statements to evidence a true and fair view on the financial position and performance of the Bank being disclosed. Year on year accounting policies are reviewed and submitted to the Committee and the Board with updates/changes if any, for approval. Based on the approved accounting policy, financial information is prepared.

3(6)(ii)(h) **⊘** - Meeting with the External Auditors

The BAC met with the External Auditors without the presence of the management and the Director/CEO, twice during the year and discussed important issues and areas of concerns arising from the interim and final audits to ensure that there was no limitation of scope in relation to the audit and to allow for full disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit. The Committee noted to follow up with management, areas of concerns/ findings of the external audit.

3(6)(ii)(i) 🕗 - Management Letter of the External Auditors

The Committee having reviewed the Management letter during the year recommended the same for approval of the Board and submitted to the Central Bank of Sri Lanka within required timelines. Relevant management actions were taken to close/rectify any findings on lapses/ breaches that were arising from the Management Report and progress on same was reported periodically.

3(6)(ii)(j)I ⊘ - Internal Audit Scope and Functions

The BAC reviewed the adequacy of the internal audit function and ensured that it conformed to the principles of the Internal Audit Charter which defines the scope, functions, authority, responsibility, adjudication, external relationship management and ethics that assist and direct/guide the Internal Audit Department (IAD) to discharge its functions effectively. The Internal Audit Charter was reviewed and recommended by the Committee and approved by the Board. The Committee also reviewed and discussed the adequacy of the scope and resources of the IAD. The Committee ensures that the Internal Audit function complies with the terms and guidelines set in the Internal Audit Charter.

3(6)(ii)(j)II → Internal Audit Division carried out its responsibilities in line with the approved Audit Plan of 2023. The IAD reported on the audits carried out as per the Audit Plan and also updated the Committee on the status and extent of addressing/ resolving the findings of audits carried out by the management concerned. The Bank has adopted a risk-based audit approach towards assessing the effectiveness of the internal control procedures in place to identify and manage all significant risks. Reports on the same were submitted to the Committee, discussed and issued advice/ instructions to relevant management calling assurances on the remedial action in respect of identified risks from the audit findings which ensured the effectiveness of internal control procedures.

3(6)(ii)(j)III 📀 - Appraisals/ assessments of performance of Senior Staff of the Internal Audit

Appraisals/assessments of performance of the senior staff of the Internal Audit Department was carried out annually by the Head of Internal Audit and reported to the Committee which notes such evaluations. Evaluation of the Head of Audit's performance was carried out by the Committee.

3(6)(ii)(j) IV and V ⊘ - Adequacy of human resources for Internal Audit function

The Committee reviewed the adequacy of the human resources for the internal audit functions and recommended appointments/ successions planning and outsourcing of services where deemed appropriate. The Committee is usually kept informed of senior staff resignations of the Internal Audit Department.

3(6)(ii)(j)VI − < − Independence of the Internal Audit function

Internal Audit department directly reports to the Head of the Internal Audit Department who directly reports to BAC for independence. The audits are performed with impartiality, proficiency and due professional care.

3(6)(ii)(k) ♥ - Findings of the Internal Audit

Reports on investigations carried out by the Internal Audit including major findings and management responses thereto are submitted to and discussed with suitable action points agreed upon at the Board Audit Committee Meetings.

3(6)(ii)(I) ♥ - Invitees to the Meetings of the BAC

The Head of Internal Audit and the Chief Financial Officer attended the regular meetings of the BAC during the year. The Chief Executive Officer, the Chief Manager-Internal Audit and heads of operational and business units, Information Technology, Compliance and Human Resources were invited to the Meetings when the Committee required their presence to report and/or respond to queries on related audit findings. The BAC also invited the External Auditors to present their findings, observations and the external audit scope and plan.

The Terms of Reference of the BAC provides the BAC the authority to investigate into any matter within the scope of its terms of reference; obtain the resources which it needs to carry out the investigation; full access to information; authority to obtain external professional advice; and to invite outsiders with relevant experience to be involved, if necessary.

3(6)(ii)(n) and 3(6)(ii)(p) − Meetings of the BAC

The Committee has met eleven times during the year which included 2 meetings with the External Auditors as well. Regular meetings included separate meetings for reviewing internal audit reports and financial updates; meetings for the financial statements; and meetings with the External Auditors. Head of Internal Audit and the Chief Financial Officer discussed their areas of functions and concerns, and BAC provided appropriate advice at the meetings held, where necessary.

The Agenda and the papers for discussions and consideration/approval were circulated prior to the Meeting.

3(6)(ii)(o) 🕗 - Report of the BAC

A Report of the BAC signed by the Chairperson is included on pages 116-117 of this Annual Report outlining the scope and responsibilities as well as activities of the BAC. The number of meetings and appropriate reference to the attendance of the members at the meetings held during the year is given under Section 3(6)(i) of this Report.

3(6)(ii)(p) 🕑

The Company Secretary functions as the Secretary of the Board Audit Committee. The minutes of the proceedings of the Meetings were recorded in sufficient detail and maintained by the Company Secretary. The Committee continuously emphasized on the requirement that ethical values are upheld by the staff members. In this regard, in addition to the Employees' Code of Ethics and Code of Conduct, the Bank has put in place a Policy and framework on Whistleblowing and a Policy on Anti-Bribery and Corruption. Relevant line management has been advised to ensure that highest standards of Corporate Governance and adherence to the Bank's Code of Ethics is maintained.

The BAC ensured that all employees are duly informed and duly advised of the effective use of the Whistleblowing process if they suspect wrong doings or other improprieties. The Whistleblowing Policy encompass defined and specific provisions for whistleblower protection which includes the maintenance of strict confidentiality of the identity of the whistleblowers and right to anonymity. Secure and multi-channel escalation paths are made available for whistleblowers. Annual review of Whistleblowing Policy was reviewed at the BAC Meeting held during fourth quarter 2023 .The investigations undertaken by the Internal Audit Division on Whistleblower complaints are reported to the Committee and appropriate follow up action is being taken.

All appropriate procedures have been put in place to conduct independent investigations by the Internal Audit Department on complaints/incidents reported directly through Whistleblowers or other identified means. The consequent disciplinary process and procedures are operated by Human Resource Department. The investigations carried out on such complaints/incidents were reported to the BAC by the Head of Internal Audit including appropriate recommendations/ follow up action.

3(6)(iii) Board Human Resources and Remuneration Committee (BHRRC)

3(6)(iii)(a) ♥) - Determination of the Remuneration Policy

This is a key responsibility of the Board Human Resources and Remuneration Committee ('BHRRC'). The BHRRC on behalf of the Board aims to establish a transparent procedure for determining the

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remuneration, salaries, allowances and other financial or non-financial benefits, perquisites, special incentives, etc., to Directors, the CEO, the KMPs as well as other employees of the Bank. A Board approved Remuneration Policy is in place.

Based on the recommendation of the Committee, Directors collectively decide on the remuneration and benefits for the CEO as well as professional fees and benefits (if any) to the Non-Executive Directors. The Committee seeks independent advice to determine revisions and compensation packages when deemed necessary to discharge these responsibilities. No Director or KMP is involved in deciding his or her remuneration.

3(6)(iii)(b) ○ - **Goals and Targets** The Key Performance Indicators (KPIs/goals and targets) of CEO for the year 2023 were reviewed and approved along with the KPIs for the KMPs.

CFO together with HR department submit the same for the review of the Committee.

The Committee reviewed/evaluated the achievement of KPIs of the Bank/ CEO for 2022 in the first quarter 2023. CFO together with HR submits the evaluation of KPIs of CEO against the actual for the review of BHRRC. Achievement of KPIs of Key Management Personnel (who directly report to Director/CEO) for 2022 were reviewed and recommended by the Committee and approved by the Board during first quarter 2023.

3(6)(iii)(d) − Proceedings at Meetings of the BHRRC

The BHRRC comprised of Independent Directors and Non-Executive Directors during the year and was chaired by an Independent Director. Six meetings of the Committee were held during the year. Director/CEO and Head of Human Resources and the CFO attended the meetings of the Committee when invited. They were not present at meetings of the Committee, when matters relating to them were being discussed.

Proceedings conducted met requirements in terms of the Terms of Reference of the Committee. 3(6)(iv) Board Nomination Committee (BNC)

3(6)(iv)(a) ⊘- Procedure for Selection/Appointment of Directors, Chief Executive Officer (CEO) and Key Management Personnel (KMPs)

Appointment of KMPs and the CEO comes under the scope and responsibilities of the Board Nomination Committee as set out in its Terms of Reference. The procedure to select and appoint new directors is set out in the Board approved Policy Governing Appointment of Directors.

The Committee recommends the reelection of the Directors in accordance with the Bank's Articles of Association taking into account their contributions to the Board. With the concurrence of the Board they were included in the Agenda of the Annual General Meeting seeking shareholders' approval for the re-election. Directors, Mr S Viran Corea and Mr A S Wijesinha were re-elected in terms of Section 82 of the Articles of Association of the Bank at the AGM held on 30 March 2023 subsequent to being recommended by the Committee and approved by the Board respectively.

Re-election of Directors at the next AGM:

The BNC and the Board have recommended the proposals for the re-election of Directors, Mr D M D Krishan Thilakaratne and Ms Sandya K Salgado who are due to retire by rotation in terms of Article 82 at the AGM scheduled to be held in March 2024. The proposals for their re-election have been included in the Notice of the AGM to seek shareholders' approval. The Committee took into account the contribution and performance of said Directors for the overall discharge of Board's responsibility.

3(6)(iv)(c) ♥ - Criteria for eligibility – CEO and KMPs

The Bank is guided by the required job descriptions and responsibilities of the CEO and KMPs in appointments and promotions to those positions. The Committee reviews the profiles and or interviews the proposed recruits to the key management positions and recommends their appointment if satisfied. 3(6)(iv)(d) *⊘* - Fitness and Propriety of Directors, CEO and KMPs

Affidavits and Declarations to assess the fitness and propriety of Directors, CEO and KMPs in terms of the Banking Act and its Directions were obtained prior to the appointment of Directors and at the time of appointing KMPs or promoting to the KMP positions. Prior to the date of the AGM of the Bank in 2023, declarations submitted by the continuing Directors were forwarded to the Director, Bank Supervision, Central Bank of Sri Lanka (CBSL) for review and approval in terms of Section 42 of the Banking Act No.30 of 1988 (as amended) and related Directions. The Directors also submitted Affidavits as required with the Guidelines of the Securities and Exchange Commission of Sri Lanka (SEC) and such Affidavits were submitted to the SEC as and when required.

Directors submitted the declarations on fit and proper assessment as required in terms of the revised Listing Rules of the CSE and same were submitted for review and assessment by the Committee and the Board.

3(6)(iv)(e) → Succession Plan In keeping with the Board succession arrangements the Committee considered and recommended matters relating to the change of Director/CEO of the Bank upon retirement of Mr Kapila Ariyaratne on 30 April 2023 and the appointment of Mr Ramesh Jayasekara as Director/ CEO effective 01 May 2023. Taking into consideration the Board changes that took place during the year, the Committee reviewed the requirement of the Board /

Board Subcommittee structure and made appropriate recommendations to the Board to carry out such reconstitutions as and when required in terms of respective Terms of References of Board Subcommittees and applicable regulations pertinent to same.

The Committee reviewed and made decisions based on the Succession Planning relating to relevant key management positions which became vacant/going to be vacant due to retirement/s which were due/will be due. The Succession Plan for the first and second level successors for Key Management Personnel assessing the suitability of the identified successors to the KMP positions, was reviewed with an emphasis on the training and development of identified successor/s for the said role and recommended by the Committee during the year. Board approved Succession Plan was submitted to the Central Bank.

The BNC comprised five Non-Executive Directors, majority of them were Independent Directors till the resignation of Mr A S Wijesinha as a Director effective 21 September 2023 (who was also the Chairman of the Committee). Board Nomination Committee was re-constituted with effect from 12 October 2023. Mr D R Abeysuriya was appointed as a Member, however, due to the demise of Mr D R Abeysuriya on 25 October 2023, the Committee was again re-constituted with the appointment of Ms Sandya K Salgado as a Member with effect from 31 October 2023 as following:

Mr D M Rupasinghe (Chairman) (Independent Non-Executive Director)

Mr W M R S Dias (Non-Executive Director)

Ms Sandya K Salgado (Senior Independent Director)

Mr L H A Lakshman Silva (Non-Executive, Independent Director)

Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director)

3(6)(v) Board Integrated Risk Management Committee (BIRMC)

3(6)(v)(a) → Composition of the Committee – The Board Integrated Risk Management Committee (BIRMC) comprised six members as at 01 January 2023; Three Independent Directors, one Non-Executive Director, Director/Chief Executive Officer and the Chief Risk Officer. The Committee was chaired by Independent Director, Mr D R Abeysuriya. Subsequent to the demise of Mr D R Abeysuriya on 25 October 2023, the BIRMC was re-constituted on 06 November 2023 as follows:

Mr D M Rupasinghe (Chairman, Independent, Non-Executive, Director)

Mr L H A Lakshman Silva (Independent, Non-Executive, Director)

Mr W M R S Dias (Non-Executive Director)

Ms Averil A Ludowyke (Independent, Non-Executive, Director) Mr Ramesh Jayasekara (Director/CEO)

*Mr A S Fernando (DGM/CRO) (Non-Board Member)

CEO who is an Executive Director on the Board serves as a Member of the Committee. The Chief Risk Officer who serves as Member of the Committee is the Key Management Personnel in charge of supervising broad risk categories, i.e., market, liquidity, operations, credit reputational and strategic risks and reports directly to the Committee. The Head of Compliance and Chief Financial Officer were co-opted to the Committee and they attended the regular meetings of the Committee. Other Key Management personnel and management attended the Meetings when invited by the Committee.

3(6)(v)(b) 🕗 - Assessment of Risks

The Risk Management Unit (RMU) is responsible to create, to manage and to implement a pervasive bank-wide risk culture. Towards meeting this requirement, the three executive Subcommittees of the BIRMC, namely the Assets and Liability Management Committee (ALCO), the Executive Credit Risk Management Committee (ECRMC) and the Executive Market and Operational Risk Management Committee (EMORMC) assessed and reviewed the respective categories of risks, namely, credit, market, liquidity and operational risks coming under their respective purview. Key matters and issues arising therefrom were reported to the BIRMC at its guarterly meetings. The BIRMC reviewed such reports and gave appropriate advice and guidance to the management. The Integrated Risk Management Policy and other risk management policies which were reviewed and recommended by the BIRMC and approved by the Board provide a framework for assessment and management of the overall risks to the Bank.

The BIRMC also reviewed at its quarterly meetings the risk assessments of the Bank's only subsidiary, Seylan Developments PLC, the principal activities of which are property development and management.

3(6)(v)(c) ♥ - Effectiveness of Management Level Committees The reports submitted by the Chief Risk Officer to the BIRMC pursuant to the proceedings of the ALCO, the ECRMC and the EMORMC as well as the minutes of the said Committees were reviewed and the effectiveness of these Committees were assessed by the BIRMC at its regular quarterly meetings.

3(6)(v)(d) ✓ - Actions to mitigate specific risks

The BIRMC advises on corrective action by the management to mitigate the effects of specific risks where such risks are beyond the prudent levels approved by the Committee or where they are not in line with the Bank's policies and/or regulatory requirements.

3(6)(v)(e) ♥ - Frequency of Meetings In accordance with the Terms of Reference, the Committee met quarterly. Seven regular meetings and one special meeting were held during the year. Additionally 2 more meetings were held in September and December 2023 without the Management.

3(6)(v)(f) ✓ - Action against those who fail to identify specific risks

Officers and/or branches/departments failing to identify specific risks and consequent impact to the Bank were identified during the internal audit reviews and internal audit investigation and were revealed in the audit/investigation reports. Depending on the nature of the offence they were reported to the line management and/or to the Head of Human Resources and/or to the Chief Executive Officer for disciplinary or other appropriate action.

Reports on high-risk offences including line management's action taken to prevent such lapses in the future, were submitted to the BIRMC if deemed appropriate for information and advice or instructions.

3(6)(v)(g) ♥ - Risk Assessment Report to the Board

Risk Assessment Reports were submitted to the Board meetings that were held after the quarterly BIRMC meetings. Copies of the confirmed Minutes of the Committee and recommendations of the Committee were also submitted to the Board meeting that followed the Committee meetings and related paper submitted by the CRO for the Board's perusal and appropriate decisions/ concurrence.

CORPORATE GOVERNANCE

3(6)(v)(h) ♥ - Compliance Function The Bank has in place an independent compliance function headed by the Head of Compliance, who is a key management personnel and reporting directly to the BIRMC. The Head of Compliance submitted status reports and risk reports on compliance, quarterly to the BIRMC and monthly updates to the Board. The BIRMC provided appropriate guidance and advice pursuant to closely scrutinizing the status of compliance with mandatory banking and other statutory requirements and also the systems and procedures that are in place to ensure compliance with such requirements.

3(7) Related Party Transactions

3(7)(i) ♂ - Avoidance of Conflicts of Interest

A Board approved Policy and Process on Related Party Transactions and Avoidance of Conflicts of Interest (hereinafter referred to as 'the Policy' or 'Policy on RPTs') of the Bank is in place. The Board takes necessary steps to avoid any conflicts of interest that may arise from any transactions which were considered at Board and Board Subcommittee meetings in which they had an interest, particularly with related parties of the Bank as defined in Direction No.3(7)(i), which includes:

- Bank's Subsidiary companies (the Bank has only one Subsidiary, Seylan Developments PLC);
- Bank's associate companies;
- Directors of the Bank;
- Key management personnel (KMPs);
- a close relation of any of the Bank's Directors or of the KMPs;
- a shareholder owning a material interest in the Bank;
- a concern in which any of the Bank's Directors or a close relation of any of the Bank's directors or any of its material shareholders had a substantial interest

3(7)(ii) 🕑 - Types of Transactions with related parties

Transactions defined under this direction as well as those defined under Sri Lanka Accounting Standards – LKAS 24, are included in the Bank's Policy on RPTs and any such transactions carried out by the Bank in the normal course of business were closely monitored to assess whether they have deviated from the rules set out in the Policy on RPTs.

Audited Financial Statements published in the Annual Report carries a separate Note on 'Related Party Transactions'.

3(7)(iii) *Q* - Favourable Treatment In engaging in transactions with related parties it was reviewed that such parties do not receive a "more favorable treatment" than that accorded to other constituents of the Bank carrying on the same business such as; charging of a lower rate of interest than the Bank's lending rate charged to non-related party customers or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty and; providing services to or receiving services from a related party without an evaluation procedure.

The Board has set a prudent percentage of the Bank's regulatory capital to limit total net accommodation to related parties which said limit is monitored by the Risk Management Unit and the Executive Credit Risk Management Committee, a Subcommittee of the Board Integrated Risk Management Committee (BIRMC). The percentage of total accommodation granted to related parties was reported by the Chief Risk Officer to the BIRMC on a quarterly basis.

The Board approved Policy on RPTs emphasizes that all employees are aware of the policy and guidelines set out therein. Heads of Divisions/relevant officers who deal in related party transactions follow the Policy guidelines in their evaluations of related party transactions and provide a confirmation when submitting the return of such transactions to the Compliance Unit on a quarterly basis. The Compliance Unit has adopted a mechanism to monitor and ensure that the policy guidelines are complied.

3(7)(iv) ⊘ - Accommodation to a Director or to a close relation of a Director

Credit facility accommodations to Directors were granted with the approval of the Board with not less than two-thirds of the number of Directors (with covering approval/s where pertinent) other than the Director concerned. The Board ensured that such accommodations were secured by such security as may from time to time be determined by the Monetary Board of the Central Bank of Sri Lanka (presently known as the Governing Board).

Approval process relating to Related Party Transactions was reviewed during the year and the revised approval process was made effective to be followed by relevant Units from January 2024 onwards.

3(7)(v) - Obtaining of required security for accommodation granted to a related party of a Director being appointed or to a Director individually prior to such Director being appointed

Mr Ramesh Jayasekara was appointed as the Director/CEO since 01 May 2023 and loans obtained by him were granted under the relevant schemes applicable to employees of the Bank.

3(7)(vi) • Accommodation to employees or related parties connected to the employees

No accommodation has been granted on "more favourable" terms such as waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than in respect of accommodations to employees based on the scheme/s applicable to the employees of the Bank or where such accommodation is secured by such security as may be approved by the Monetary Board in respect of accommodation granted, in a similar manner as described in Direction 3(7)(v).

Accommodation granted to employees or related parties connected to the employees are reviewed by the Staff Loan Committee which also evaluates any exception to the above and provide guidance to HR as and when needed.

3(7)(vii) ⊘ - Prior approval of Monetary Board for Remittance of Accommodation

There was no requirement to comply with the requirement of this section during 2023, based on the comments made under Direction 3(7)(v) and 3(7)(vi) above.

3(8) Disclosures

3(8)(i) ♥ - Annual Audited Financial Statements and Quarterly Financial Statements

The Annual Audited Financial Statements and Quarterly Financial Statements were prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and the Accounting Standards. Annual Audited Financial Statements were published in the Annual Report while the Quarterly Financial Statements were published in an abridged form, in the newspapers in all three languages.

The above Reports were released to the Colombo Stock Exchange (CSE) and uploaded on its website www.cse.lk for the information of the shareholders and the general public prior to publishing in the newspapers. The reports were also made available on the Bank's corporate website www.seylan.lk.

3(8)(ii)(a) → Statement of Directors' Responsibility for Financial Reporting and Statements of the Chief Executive Officer's and Chief Financial Officer's Responsibility for Financial Reporting

These two reports which have been published in the Annual Report confirm that the Financial Statements for the year ended 31 December 2023 have been prepared in line with applicable standards and regulatory requirements (Reference: pages 162-163).

3(8)(ii)(b) 📀 - Directors' Statement on Internal Control

The Statement on Internal Control published in the Annual Report confirms that the financial reporting system provides reasonable assurance regarding the financial report and that the preparation of the financial statements for external purposes has been done in accordance with all relevant accounting principles and regulatory requirements (Reference: pages 157-158).

3(8)(ii)(c) ♥ - External Auditors' Certification on the Effectiveness of Internal Control

The Bank has obtained an Assurance Report on the internal controls over financial reporting from the External Auditors in accordance with the "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" and the same is published in this Annual Report (Reference: page 159).

3(8)(ii)(d) 🕗 - Details of the Directors

Please refer the pages of the Annual Report for the respective information as mentioned in table below:

Disclosed in the Report of the Board of Directors, the Profile of the Directors while transactions with the bank, fees/remuneration, etc are disclosed in the notes to the financials.

Details	Section of the Annual Report	Page/s
Names, qualifications, expertise	Profile of the Directors	80-83
Fitness and Propriety	Report of the Board of Directors and Section 3(6)(iv)(d) of the	147-153
	Corporate Governance Report	111
Details on Directors interest in other	Annexure to the Report of the	
entities	Board of Directors	154-156
Transactions with the Bank/ Related	Note 52 to the Financial	
Party Transactions	Statements	263
Fees/Remuneration paid to Directors	Disclosure under Direction 3(8)(ii)	
	(f) of this report.	113

3(8)(ii)(e) 🕗 - Total Net Accommodations to Related Parties

Disclosure on accommodations granted to related parties is given in Note 52.1 and 52.2 to the Financial Statements.

The net accommodation as at 31 December 2023, granted to each category of related parties as defined in Direction 3(7)(i) and as per LKAS 24 is given below as a percentage of the Bank's regulatory capital.

Category of Related Party Transactions	Amount (LKR Mn)	% of regulatory capital
Directors, Key Management Personnel and their close relations (Transactions including credit card		
accommodations)	457.62	0.65
Subsidiary, Seylan Developments PLC	175.00	0.25
Material shareholders of the Bank and concerns in which a Director of the Bank or material shareholder has a substantial interest *	24,522.96***	34.96
Other entities including common Directorship Entities **	4,259.62	6.07

* Includes accommodations non-funded, undrawn facilities - LKR 5,614.49

**Includes accommodation non-funded, undrawn facilities - LKR 2,327.89

***Includes LKR 5.4 Bn cash back facility

 $3(8)(ii)(f) \oslash$ - Remuneration to Key Management Personnel (KMPs) and Transactions with KMPs and aggregate values of the transactions of the Bank with its KMPs

The aggregate remuneration paid to Key Management Personnel and transactions of the Bank with Key Management personnel during the year 2023 were as follows.

Remuneration / Transaction	Amount (LKR Mn)
Remuneration to Executive Directors and KMPs (as per CBSL definition)*	404.38
Directors' Fees for Non-Executive Directors	31.57
Loans and Advances (including Securities purchased under Re-sale Agreements and Credit Card accommodations to KMPs and Non-Executive	
Directors)	457.62
Deposits of KMPs and Non-Executive Directors	371.42
Investments by KMPs and Non-Executive Directors –Other Investments	
(Liability)	89.13

CORPORATE GOVERNANCE

* Includes cash/non cash benefits and postemployment benefits to Directors and KMPs.

3(8)(ii)(g) ♥ - External Auditors Certification of the Compliance with Direction No.11 of 2007 on Corporate Governance

The External Auditors were engaged to perform an agreed-upon procedure in accordance with the principles set out in the Sri Lanka Related Services Practice Statement 4750 and they provided a Factual Findings Report to the Board in respect of 2022 on the Bank's extent of compliance with the Directions as disclosed in the Corporate Governance Report for 2022 and the same was submitted to the Central Bank in May 2023.

External Auditors will issue their Factual Findings Report in respect of 2023 in due course on the extent of compliance with the Directions as disclosed in this Corporate Governance Report. Please refer confirmation stated at the end of this report.

3(8)(ii)(h) ♥ - Compliance with prudential requirements, regulations, laws and internal controls

Statement of Directors' Responsibility for Financial Reporting and Directors' Statement on Internal Controls published in this Annual Report provide the extent of Bank's compliance in this regard. There was no material non-compliance of prudential requirements, regulations, laws and internal controls which affected the Bank during the year except an administrative penalty imposed by the Regulator due to an operational lapse where the screening of the guardian of a Minor Account. Bank has fully paid the amount of LKR. 1,000,000/- to Financial Intelligence Unit in March 2023.

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The screening mechanism and the process is already in place within the Bank and instructions have been issued to staff on name screening. Bank has issued further strict guidelines to staff on name screening and also further strengthen the post screening automated mechanism.

3(8)(ii)(i) ♥ - Supervisory Concerns There were no significant supervisory concerns on lapses in the Bank's risk management system or non-compliance with these Directions that have been pointed out by the Director, Bank Supervision, Central Bank of Sri Lanka and directed to be

Confirmation

disclosed to the public.

In terms of Direction 3(8)(ii)(g) of the Banking Act Direction No. 11 of 2007, on

behalf of the Board of Directors, we confirm that the findings of the "Factual Findings Report" dated 20 February 2024 issued by the Auditors, M/s KPMG, Chartered Accountants to the Board of Directors pursuant to the agreed-upon procedure carried out by them in accordance with "Sri Lanka Related Services Practice Statement 4750" are consistent with the matters disclosed in the above Annual Corporate Governance Report on the mandatory compliance with the Banking Act Direction No.11 of 2007 (as amended).



W M R S Dias Chairman



⁽Ms) Saraswathie Poulraj Company Secretary

20 February 2024 Colombo

Rules of the Colombo Stock Exchange (CSE) relating to Disclosure on Corporate Governance

The Bank being a listed entity is bound by, and at all times has complied with the applicable Rules and Circulars of the CSE and the Central Depository Systems (Pvt) Limited as amended or replaced from time to time.

As per the Guidance Note issued by the CSE dated 20 November 2023, on 'Annual Report Disclosures relating to Section 7 and Section 9 of the CSE Listing Rules', Rule 7.10 of the Listing Rules on Corporate Governance Requirements which were in force prior to 01 October 2023, shall continue to be effective until 01 October 2024 and the Listed Entities shall at a minimum comply with the requirements as set out in the said Note, during the transitional period. Disclosures made in this Annual Report are in conformity with said requirements.

Section 7.10(c) of the CSE Rules states that where a listed entity is required by any law applicable to such listed entity to comply with Rules on Corporate Governance promulgated under such law, such listed entity shall make disclosures of compliance with the Corporate Governance rules applicable to that sector. Seylan Bank PLC being a Licensed Commercial Bank (LCB) has disclosed its level of compliance under the Banking Act and Banking Act Directions No.11 of 2007 (as amended) on Corporate Governance for Licensed Commercial Banks of Sri Lanka in this report. The disclosures made include and affirm the Bank's compliance with the relevant sections under the Corporate Governance Rules of the CSE as applicable for the period under review.

REPORT OF THE SENIOR INDEPENDENT DIRECTOR

This report is presented in compliance with the requirement set out in Section 9.6.3(e) of the revised Listing Rules on Corporate Governance of the Colombo Stock Exchange ('CSE') (hereinafter referred to as the revised Rules of the CSE'), which came into effect on 01 October 2023.

The requirement of appointing a 'Senior Independent Director' to Seylan Bank PLC ('the Bank'), has arisen in terms of Section 3(5)(ii) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended), which requires the Chairman of a Licensed Commercial Bank to be a Non-Executive and preferably an Independent Director, and in the event the Chairman is not an Independent Director, an Independent Director to be designated by the Board as the Senior Director with suitably documented Terms of Reference to ensure greater independence.

Mr W M R S Dias, who is a Non-Independent Director, was appointed as the Chairman of the Bank with effect from 09 May 2016. Ms C Pietersz (former Director) was appointed as the Senior Director of the Bank in compliance with the aforesaid requirement of the Banking Act, and the 'Terms of Reference for the Senior Director' was approved by the Board.

Subsequent to the retirement of Ms C Pietersz on 22 September 2022 (who had served on the Board for a period of nine years), Independent Director, Mr A S Wijesinha was designated as the Senior Director of the Bank with effect from 23 September 2022.

Subsequent to the resignation of Mr A S Wijesinha from the Board with effect from 21 September 2023 the Board Nomination Committee deliberated on the appointment of Mr D R Abeysuriya as the Senior Director. However, due to the untimely demise of Mr D R Abeysuriya, this recommendation had to be withheld, and subsequently the undersigned was appointed as the Senior Independent Director of the Bank with effect from 06 November 2023.

Meetings

The Senior Independent Director chairs the meetings of the Independent Directors which are held at least once a year. The last meeting of the Independent Directors held on 18 December 2023 was chaired by the undersigned. The Independent Directors deliberated on the framework for meetings of the Independent Directors to ensure efficiency in transacting governance related matters raised by the Directors and the Board Evaluation process of the Bank, in addition to the review of the current Terms of Reference of the Senior Director.

The Independent Directors also noted Rule 9.6.3 of the revised Listing Rules of the CSE i.e. the requirement for a Senior Independent Director ('SID') and the instances in which a SID is to be appointed in terms of the aforesaid revised Listing Rules.

Role and Responsibilities of Senior Independent Director

In terms of role and responsibilities of the SID of the Bank as stated in the Terms of Reference, the principal role of the SID is to support the Chairman in his role and duties, acting as an intermediator for the Non-Executive Directors as and when necessary, and to facilitate the due exercise of the functions of the Chairman with the Non-Executive Directors.

It is important to state that the role and the responsibilities vested on the SID of the Board is significant in the current context of Corporate Governance regulations, standards and best practices being frequently reviewed and revised by regulators. The SID of the Bank is committed to upholding the requisite governance standards while providing necessary assistance to the Chairman of the Board through discussion and communication between Non-Executive and Independent Directors of the Bank in addressing the development needs of the Board as a whole with a view of enhancing the overall effectiveness of the Board.

and

(Ms) Sandya K Salgado Senior Independent Director

20 February, 2024

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee of Seylan Bank PLC presents its report for the year ended 31 December 2023 which was approved by the Board of Directors ('the Board').

The Board Audit Committee

The Board Audit Committee ('BAC' or 'the Committee') of Seylan Bank PLC ('the Bank') is delegated with the authority by the Board of Directors ('the Board') of the Bank to assist and provide the Board, independent oversight of the Bank's financial reporting integrity and internal control systems, the adequacy of the internal and external audits, the process for monitoring compliance with laws, regulations and codes of conduct and best practices.

The authority, composition, and the scope and responsibilities of the BAC are clearly set out in the Terms of Reference of the BAC which is reviewed (annually) and approved by the Board.

Re-constitution of the Committee during 2023 and its Composition as at 31 December 2023:

- (i) The Committee comprised of Ms Averil A Ludowyke (Independent Director/ Chairperson of the Committee), Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director), Mr D R Abeysuriya (Independent Director), and Mr D M Rupasinghe (Independent Director) until the demise of Mr D R Abeysuriya on 25 October 2023.
- (ii) Subsequent to the demise of Mr D R Abeysuriya, the Committee comprised of Ms Averil A Ludowyke (Independent Director/ Chairperson of the Committee), Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director), and Mr D M Rupasinghe (Independent Director), which composition was noted as re-constituted by the Board on 06 November 2023, and remained unchanged as at 31 December 2023.

The Chairperson of the Committee, Ms Averil A Ludowyke who counts over 37 years' experience in auditing, accounting and finance is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants, UK. The profiles of the current members are given on page 80-83 of the Annual Report.

The Company Secretary of the Bank functioned as the Secretary to the Committee during the year.

Meetings

The Committee held eleven meetings during the year. The attendance of the members during the year was satisfactory and a summary of the attendance is presented in the table titled, 'Directors' Attendance at subcommittee Meetings' in the Corporate Governance Report of the Annual Report.

Activities and responsibilities discharged by the Committee during 2023

- Discussed the Audit Scope and the Plan presented by the External Auditors for the year 2023 and matters addressed in the presentation by the External Auditors on the year end Audit carried out for 2023.
- Reviewed and discussed the Management Letter of the External Auditors, in respect of the Audit for the financial year, 2022 and further action required to address the matters raised.
- Reviewed and discussed the External Auditors presentation relating to the half-year Audit carried out in 2023.
- Conducted regular meetings with Internal Audit and reviewed, discussed and recommended actions reported in the internal audit reports and related updates.
- During the year the Committee reviewed key assumptions and judgments including;
- Loan impairment allowance, factors considered for modelled ECL, related management overlay and related post model adjustments made
- Impairment allowances made for government bonds
- Recognition of deferred tax assets
- Tax provisions
- and factors considered in by the management in the assessment of going concern

- Reviewed the interim quarterly financial statements and the annual financial statements including disclosures with the CFO and recommended the financial statements to the Board for approval and publication.
- Conducted two meetings with the External Auditors, M/s KPMG, without the presence of the management.
- Reviewed and evaluated the performance of the Head of Internal Audit who reports directly to the BAC, and the Key Performance Indicators (KPIs) of the Internal Audit Department in respect of the year 2022. Reviewed and discussed the KPIs agreed by Internal Audit Department for 2023.
- Reviewed the effectiveness of the whistleblowing mechanism and follow up action by Internal Audit
- Reviewed the Internal Audit Charter

The Head of Internal Audit and the CFO attended the regular meetings of the BAC. The Director/Chief Executive Officer, other members of the management and the External Auditors were invited to the meetings as and when the Committee required their presence to report and/ or respond to queries related to financial reporting, audit findings and related matters.

In accordance with its mandate, the committee focused on the following areas, among others.

Internal Controls

The Committee;

- Assessed the adequacy and effectiveness of the Bank's internal control systems over financial reporting, and banking operational aspects based on the reports of the internal audits conducted in line with the scope of the Internal Audit Plan approved by the Committee. The Committee reviewed the controls and procedures in place to provide reasonable assurance that the Bank's assets are safeguarded.
- Reviewed the effectiveness of controls over information technology security and systems;

 Agreed on the scope of External Auditors' review of internal controls over financial reporting and reviewed their observations, findings and recommendations together with management responses. The External Auditors have issued an Assurance Report on the Directors' Statement on Internal Control over Financial Reporting which is published on page 159 of the Annual Report.

Internal Audit

The Committee reviewed the independence, objectivity and performance of the internal audit function; the findings of the internal audit reviews and investigations and internal audit's evaluation of the Bank's internal control system.

The Internal Audit Plan for the year was based on the risk assessment carried out on each component of the audit universe of the Bank which included but not limited to 'Branch Network', 'Centre Operations' and 'Information Systems and Infrastructure'. The progress of audits in relation to the plan was reviewed regularly by the Committee.

Effective Internal Control over Financial Reporting

The Management is primarily responsible for the preparation of financial statements and maintaining effective internal controls over financial reporting and assessing the effectiveness of such control systems. The committee reviewed the assessment of the effectiveness of these controls, and the risk management process.

Interim Financial Statements and the Annual Report

The Committee exercised its oversight role in respect of financial reporting, with focus on adoption of the accounting standards, assessment of the reasonableness of the underlying assumptions leading to significant estimates and judgements made by the management in the preparation of the financial statements and adequacy of disclosures. The committee reviewed financial information, in order to monitor the integrity of the Financial Statements of the Bank, its statutory financial statements, and quarterly interim financial statements prepared together with disclosures. The Committee also assessed the reasonableness and appropriateness of the judgment and estimates applied in the preparation of the financial statements. The assessment took into consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on expected credit loss including the related post model adjustment.

External Audit

The meetings of the Committee with the External Auditors focused on the scope of the external audit plan for the year 2023, discussions on the findings and recommendations arising from the halfyear and annual audits carried out and, the requirements of the new regulatory circulars and relevant Accounting Standards and Banking Act Directions.

The two meetings held by the Committee during the year with the External Auditors without the presence of executive management and the Director/CEO ensured that there was no limitation of scope or incidents that could have a negative impact on the effectiveness of the external audit during the year.

Non-Audit Services

The Committee reviewed the non-audit services provided by the External Auditors and was of the view that such services were not within the category of services identified as restricted under the guidelines issued by the Central Bank of Sri Lanka for External Auditors relating to their statutory duties. The Bank's Policy on Non-Audit Services by the Independent External Auditors was reviewed and recommended by the Committee and approved by the Board during the year.

The Committee determined the independence of the External Auditors, M/s KPMG, as per the provisions of the Companies Act and the Code of Professional Conduct issued of the Institute of Chartered Accountants of Sri Lanka and recommended their reappointment as the Auditors of the Bank for the financial year 2024 subject to the concurrence of its recommendation by the Board and approval of such appointment by the Shareholders at the forthcoming Annual General Meeting.

Compliance with the Banking Act Direction on Corporate Governance

Responsibilities executed by the Committee and the extent of compliance with the Directions of the Banking Act Direction No.11 of 2007 on Corporate Governance are described under Section 3(6)(ii) of the Corporate Governance Report published in the Annual Report.

Evaluation of the Committee

The Committee undertook a selfevaluation of the Committee and appraisal of the effectiveness of executing the responsibilities within the scope of authority of its Terms of Reference and was satisfied that the Committee had carried out its responsibilities effectively during the year, 2023.

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(Ms) Averil A Ludowyke (Independent Director)

Chairperson – Board Audit Committee 20 February, 2024

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

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The Board Human Resources and Remuneration Committee of Seylan Bank PLC presents its report for the year ended 31 December 2023. This report was approved by the Board of Directors.

Board Human Resources and Remuneration Committee

The Board Human Resources and Remuneration Committee ('the BHRRC' or 'the Committee') of Seylan Bank PLC ('the Bank') is vested with the power to review, evaluate and make recommendations to the Board of Directors ('the Board') on matters that impact or relate to human resources ('HR') of the Bank, HR strategies and policies and determination of compensation, benefits and remuneration for the Directors, the Chief Executive Officer ('CEO') and Key Management Personnel ('KMPs') of the Bank. In doing so, the Committee assists the Board in exercising its' oversight role and responsibilities in that regard.

The Terms of Reference of the Committee sets out the aforementioned authority and has also clearly defined the composition, scope and responsibilities. The Terms of Reference is reviewed (annually) and approved by the Board.

Reconstitution of the Committee during 2023 and its Composition as at 31 December 2023:

- (i) The Committee comprised of Mr L H A Lakshman Silva (Independent Director/ Chairman of the Committee), Mr S Viran Corea (Non-Executive Director), Ms Sandya K Salgado (Senior Independent Director), Mr D R Abeysuriya (Independent Director) and Mr D M D Krishan Thilakaratne (Non-Executive Director).
- (ii) The Committee re-constituted w.e.f. 24 October 2023 comprised of Mr L H A Lakshman Silva (Independent Director/ Chairman of the Committee), Mr S Viran Corea (Non-Executive Director), Ms Sandya K Salgado (Senior Independent Director), Mr D M D Krishan Thilakaratne (Non-Executive Director), and Ms Averil A Ludowyke (Independent Director), and remained unchanged until 31 December 2023.

The Director/Chief Executive Officer and Deputy General Manager - Human Resources attended the meetings of the Committee on invitation and participated in the deliberations except when matters of their own interest, performance and compensation were discussed.

The composition of the Committee as at 31 December 2023 consisted of 05 Non-executive Directors, out of which 03 Directors were independent.

The Company Secretary functioned as the Secretary to the Committee during the year.

Meetings

The BHRRC held four (04) Meetings (with management), one (01) meeting without management, and one (01) joint meeting with the Board Strategic Plan Committee, totaling to six (06) meetings during the year. Recommendations made by the Committee were submitted to the Board of Directors for decision. The attendance of the members at the meetings of the BHRRC is presented in the table titled, Directors' Attendance at Subcommittee Meetings' in the Corporate Governance Report published in the Annual Report.

Highlights of Activities during 2023

The key activities carried out by the BHRRC during the year included the following:

- Reviewed and recommended Bank's/ CEO's proposed KPIs for 2023 and Performance Evaluation of KPIs agreed for 2022.
- Reviewed the Performance Evaluations of KMPs (direct reportees to Director/ CEO) for 2022.
- Reviewed and approved the KPIs of Staff Members directly reporting to Director/CEO for 2023.
- Reviewed and recommended the Payment of Performance Bonus, emoluments and benefits to Director/ CEO.
- Reviewed the Organization Structure and current reporting lines of Director/ CEO taking into account the current and short term business strategy of the Bank.

- Analyzed the sustainability initiatives and recommended providing Solar Loan scheme for the staff and granting duty leave to staff engaging in CSR projects.
- Deliberated on the initiatives rolled out on Culture Assessment and Transformation Survey.
- Discussed the Payment of Performance Bonus and salary revisions to staff members in the Senior Management and recommended the bonus pot distribution and salary revisions.
- Reviewed and recommended the payment of temporary relief incentive to staff in all grades (including Director/CEO).
- Reviewed and recommended the Performance Bonus Scheme for certain departments of the Bank.
- Conducted a joint forum with the Board Strategic Plan Committee to formulate new Human Resource strategies and the organizational structure.
- Reviewed and recommended the Human Resources Policies.
- Reviewed and recommended the proposals for the Collective Agreement with Staff Unions on revision of staff salaries and benefits for 2024.

Remuneration Policy

The Remuneration Policy of the Bank aims to establish a formal and transparent procedure for determining remuneration, salaries and allowances and other financial benefits and perquisites to its Directors, the CEO, the KMPs and all other employees of the Bank. The policy and practices are linked to the achievement of the short term and long term strategic goals and operational objectives of the Bank.

In discharging its responsibilities, the BHRRC focuses on strategies that will attract, develop, motivate and retain qualified, competent, high performing talent at all levels.

Directors' Remuneration and Benefits

The Board as a whole determines the remuneration and/or allowances and fees

for both Executive and Non-Executive Directors based on the recommendations of the BHRRC. The Terms of Reference of the BHRRC provides that granting of any special payments and/or benefits to Directors upon their resignation or retirement in addition to normal fees and/ or remuneration shall be subject to the recommendation of the Committee and approval of the shareholders. There were no such circumstances during the year that required shareholder approval and/or disclosure in the Annual Report.

Aggregate remuneration to Directors, CEO and the KMPs

Aggregate remuneration paid to the Directors, CEO and the KMPs are disclosed under the table reporting compliance with the Banking Act Directions on Corporate Governance as published in the Annual Report.

Responsibilities of the BHRRC

The responsibilities of the Committee and the extent of compliance with directions 3(6)(iii)(a) to 3(6)(iii)(d) of the Banking Act Directions on Corporate Governance No.11 of 2007 have been disclosed in the relevant sections of the Corporate Governance Report published in the Annual Report.

Self-evaluation of the Committee

The BHRRC carried out a self-evaluation of its performance during the year and was satisfied that it had carried out its responsibilities in a satisfactory manner.

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L H A Lakshman Silva (Independent Director)

Chairman, Board Human Resources and Remuneration Committee

20 February, 2024

REPORT OF THE BOARD NOMINATION COMMITTEE

The Board Nomination Committee of Seylan Bank PLC presents its Report for the year ended 31 December 2023. This report was approved by the Board of Directors.

Board Nomination Committee

The Board Nomination Committee ('the BNC' or 'the Committee') of Seylan Bank PLC is a Subcommittee of the Board of Directors ('the Board') of Seylan Bank PLC ('the Bank') vested with the authority to assist the Board in fulfilling its' role and responsibilities involving the appointment of Directors and Key Management Personnel ('KMPs') of the Bank. The Terms of Reference sets out the authority, composition, scope and responsibilities of the BNC, which is annually reviewed and approved by the Board.

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The Bank has a Policy Governing Directors' Appointments and a Policy on Succession Planning, Selection and Recruitment of Key Management Positions as adopted by the Board. Both these policies which are reviewed periodically set out the principles and procedures to be followed in selecting and appointing new directors and KMPs, emphasizing on the requirements relating to qualifications, competencies, experience, etc., and that such appointees should be fit and proper persons to hold office.

Re-election of Directors in terms of Article 82 and 83 of the Articles of Association

The Board, having taken into account the number of directorships held in other entities and other principal commitments, knowledge, experience, performance and overall contribution made to meet the strategic demands of the Bank and the discharge of the Board's overall responsibilities, recommended the re-election of Ms Sandya K Salgado (Senior Independent Director) and Mr D M D Krishan Thilakaratne (Non-Executive Director) who are due to retire by rotation in terms of Article 82 and 83 of the Articles of Association, subject to obtaining shareholder approval at the forthcoming Annual General Meeting ('AGM').

Information of Directors who have been proposed for re-election:

Description	*Ms Sandya K Salgado	**Mr D M D Krishan Thilakaratne
Date of first appointment as a Director	01/12/2016	01/10/2018
Date of last re-election as a Director at an AGM	24/06/2020	30/03/2021
Board Committees served on	Board Sustainability Committee (Chairperson)	Board Credit Committee (Chairman)
	Board Marketing and Product Development Committee (Chairperson)	Board Sustainability Committee (Member)
	Board Strategic Plan Committee (Chairperson)	Board Marketing and Product Development Committee (Member)
	Board Human Resources and Remuneration Committee (Member)	Board Human Resources and Remuneration Committee (Member)
	Board Nomination Committee (Member)	
	Board Procurement and Capital Expenditure Supervisory Committee (Member)	
Present Directorships/ Chairpersonships in Listed and unlisted entities	Please refer Annexure to the 'Report of the Board of page 154-156.	of Directors on the State of Affairs of the Company' or

*Ms Sandya K Salgado is the Senior Independent Director of the Bank.

** Mr D M D Krishan Thilakaratne is a Non-Executive Director of the Bank. He represents Brown & Company PLC and LOLC Investments Limited, which are substantial shareholders of the Bank.

Re-constitution of the Committee during 2023 and its Composition as at 31 December 2023:

(i) The Committee comprised of Mr A S Wijesinha (Independent Director/Senior Director, Chairman of the Committee, until his resignation w.e.f. 21 September 2023), Mr W M R S Dias (Non-Executive Director/ Chairman of the Board), Mr D M Rupasinghe (Independent Director), Mr L H A Lakshman Silva (Independent Director), and Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director) until the re-constitution of the Committee.

(ii) The Committee re-constituted w.e.f. 12 October 2023 comprised of Mr D M Rupasinghe (Independent Director/ Chairman of the Committee), Mr W M R S Dias (Non-Executive Director/ Chairman of the Board), Mr D R Abeysuriya (Independent Director), Mr L H A Lakshman Silva (Independent Director) and Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director).

(iii) Subsequent to the demise of Mr D R Abeysuriya on 25 October 2023, the Committee re-constituted w.e.f. 31 October 2023 comprised of Mr D M Rupasinghe (Independent Director/ Chairman of the Committee), Mr W M R S Dias (Non-Executive Director/ Chairman of the Board), Ms Sandya K Salgado (Senior Independent Director), Mr L H A Lakshman Silva (Independent Director) and Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director) and remained unchanged as at 31 December 2023.

Appointment dates of the Committee Members as at 31 December 2023:

- Mr D M Rupasinghe (Independent Director) - Appointed as a Member on 27 October 2021 and as the Chairman of the Committee on 12 October 2023
- Mr W M R S Dias (Non-Executive Director/Chairman of the Board)
 Appointed as a Member on 30 May 2016)
- Ms Sandya K Salgado (Senior Independent Director) - Appointed as a Member on 31 October 2023
- Mr L H A Lakshman Silva (Independent Director) - Appointed as a Member on 24 August 2022
- Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director) - Appointed as a Member on 24 August 2022

The composition of the Committee as at 31 December 2023 consisted of five Non-Executive Directors, out of which three Directors were independent.

The Company Secretary functioned as the Secretary to the Committee during the year.

Meetings

The Committee held five meetings during the year. Recommendations of the Committee were submitted to the Board for review and decision. Attendance of the members at the meetings of the Board Nomination Committee is presented in the table titled, 'Directors' Attendance at Subcommittee Meetings' of the Corporate Governance Report published in the Annual Report.

Director/CEO and Deputy General Manager -Human Resources attended the Meetings of the Committee on invitation.

Key Activities during 2023

 Carried deliberations on the succession arrangements for the position of Director/ CEO (to appoint Mr Ramesh Jayasekara as an Executive Director of the Board upon Mr Kapila Ariyaratne's retirement and designated Mr Ramesh Jayasekara as 'Director/CEO') and made recommendations to the Board in formalizing said leadership change of the Bank effective 01 May 2023.

- Deliberated and made recommendations to appoint Mr Ramesh Jayasekara (Director/CEO of the Bank) as the Chairman and Ms Champika Dodanwela (Chief Financial Officer of the Bank) as a Non-Executive Director of Seylan Developments PLC, the subsidiary of the Bank, w.e.f. 01 May 2023.
- Pursuant to the resignation of Mr A S Wijesinha as a Director, the Committee recommended the appointment of Independent Director, Mr D R Abeysuriya as the Senior Independent Director of the Bank. However, this recommendation was withheld due to Mr Abeysuriya's demise on 25 October 2023, and subsequently the Committee recommended the appointment of Independent Director, Ms Sandya K Salgado as the Senior Independent Director.
- Reviewed and recommended the Promotions of five (05) Chief Managers to the Grades of Assistant General Manager.
- Reviewed and recommended the successors to the positions of Assistant General Manager – Compliance and Assistant General Manager – Marketing and Sales (which positions became vacant during the year).
- Reviewed and recommended the succession plan for the Key Management Personnel (KMPs) and direct reportees to the Board Subcommittees.
- Noted the re-constitution of Board Subcommittees pursuant to the changes to the directorate during the year.
- Reviewed and recommended the Directors to be re- elected at the Annual General Meeting held on 30 March 2023.

 Reviewed and recommended the Affidavits obtained from the current Directors of the Board for the year 2023 to be submitted to the Director, Bank Supervision, Central Bank in terms of Section 42 of the Banking Act No 30 of 1988 (as amended) for the assessment of their fitness and propriety.

Board diversity

The Bank's Board remained a diverse and inclusive Board during 2023. By embracing a variety of experiences, ages, skills and genders the Bank's Board was better positioned to perform effectively.

Independence of the Directors

The independent and non-independent status of the Non-Executive Directors was determined based on the declarations submitted by respective Directors in accordance with the criteria defined in sections 3(2)(iv) and 3(5)(iii) of the Banking Act Direction No. 11 of 2007 issued by Central Bank of Sri Lanka, and also in terms of applicable sections of the Listing Rules of Colombo Stock Exchange (as revised).

Compliance with the Banking Act Direction on Corporate Governance

The extent of the Committee's compliance with Direction Nos. 3(6)(iv)(a) to 3(6)(iv)(f) of the Banking Act Directions on Corporate Governance No.11 of 2007 have been disclosed in the Corporate Governance Report published in the Annual Report.

Evaluation of the Committee

The Board Nomination Committee carried out a self-evaluation of its performance during the year under review and was satisfied that the Committee had carried out its responsibilities in a satisfactory manner.

D M Rupasinghe (Independent Director)

Chairman - Board Nomination Committee

20 February, 2024

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee ('the Committee' or 'RPTRC') presents its report for the year ended 31 December 2023. This Report was approved by the Board of Directors.

Scope and Terms of Reference

The Board approved Terms of Reference of the Committee has set out the scope and objective of the Committee in accordance with the Listing Rules of the Colombo Stock Exchange ('CSE').

Changes to the Committee composition during 2023:

- (i) The composition of the Committee as at 01 January 2023 was : Mr D R Abeysuriya (Independent Director/ Chairman of the Committee) Ms Averil A Ludowyke (Independent Director), Mr S Viran Corea (Non-Executive Director), and Mr A S Wijesinha (Independent Director/Senior Director)
- (ii) Mr A S Wijesinha resigned from the Board with effect from 21 September 2023.
- (iii) The Committee re-constituted w.e.f. 24 October 2023 comprised of Mr L H A Lakshman Silva (Independent Director), appointed to the Committee as Chairman, Mr D R Abeysuriya (Independent Director), Ms Averil A Ludowyke (Independent Director) and Mr S Viran Corea (Non-Executive Director)
- (iv) Consequent to the demise of Mr D R Abeysuriya on 25 October 2023, the Committee comprised of Mr L H A Lakshman Silva (Independent Director/ Chairman of the Committee), Ms Averil A Ludowyke (Independent Director) and Mr S Viran Corea (Non-Executive Director). The Board considered said composition as re-constituted w.e.f. 06 November 2023.
- The Composition of the Committee as at 31 December 2023 consisted of three Non-Executive Directors out of which two were independent.
- The Company Secretary functioned as the Secretary to the Committee during the year.

 The Director/Chief Executive Officer and the Head of Compliance attended the meetings of the Committee on invitation.

Meetings of the RPTRC

The Committee held five meetings during the year. Copies of confirmed minutes of the meetings were submitted to the Board for noting/confirmation.

Details of attendance of the Members at the meetings are presented in the table providing Directors' attendance at Subcommittee meetings in the Corporate Governance Report published in the Annual Report.

Review of Related Party Transactions by the Committee

Review of Related Party Transactions is a key scope and responsibility of the Related Party Transactions Review Committee as set out in its Terms of Reference.

The Committee reviewed related party transactions submitted during the year and made appropriate recommendations (with observations where relevant) to the Board of Directors. The approval process applicable for various related party transactions which are dealt by the Board Credit Committee, Related Party Transactions Review Committee and the Board was reviewed and revised by the Board and noted by the Committee.

The Committee ensured compliance with Section 9 of the Rules of the Colombo Stock Exchange ('CSE') (prior to the revision of the Rules of the CSE on Corporate Governance) and Section 9.14 of the Revised Listing Rules of the CSE on Corporate Governance.

Summarized Lists of recurrent related party transactions which were approved by the Board of Directors were presented to the regular meetings of the Committee, for noting.

There were no occurrence of events in terms of Section 9.14.7(1) and 9.14.8 (1) and (2) of the revised Listing Rules of the CSE that required disclosures as specified therein.

The Bank has in place a Board approved Related Party Transaction and Avoidance of Conflict of Interest Policy and Process Document and Delegated Authority Limits for Granting of Facilities to the related parties. The Committee reviewed the mechanism/ process for recording, monitoring and reporting related party transactions and provided necessary guidance and advice to ensure the effectiveness of the process. The Compliance Unit conducted regular assessments of related party transactions carried out by the Bank (both recurrent and non-recurrent) and reported its observations and findings to the Committee. It was observed that there were no preferential treatments offered to related parties or deviations from the set processes that involved in transactions with related parties.

Evaluation of the Committee

The Committee carried out a self-evaluation of the performance and effectiveness of the Committee and was satisfied that it had carried out its responsibilities in an effective manner.

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L H A Lakshman Silva (Independent Director)

Chairman - Related Party Transactions Review Committee

20 February 2024

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee ("BIRMC" or "the Committee") presents its Report for the year ended 31 December 2023. The Report was approved by the Board of Directors.

Scope and Objective of the Committee

The scope and objective of the BIRMC is to assess on a regular basis through appropriate risk indicators and management information, all risk categories including credit, market, liquidity, operational, technology, information security and strategic risks facing the Bank and its reputation and to assess the risks faced by its associates and subsidiary companies. The mandate of the BIRMC as defined in its Terms of Reference is to ensure that the Bank implements an approved policy framework with defined procedures and systems for identifying, measuring, monitoring and controlling such risks. A comprehensive set of risk management policies approved by the Board provide a strong administrative framework towards meeting the objectives of the Committee.

Composition of the BIRMC

During the year 2023, the Committee comprised the following members:

Late Mr D R Abeysuriya, Independent Director - Chairman of the Committee (01 January 2023 to 25 October 2023)

Mr D M Rupasinghe, Independent Director - Chairman of the Committee (w.e.f. 06 November 2023)

Mr W M R S Dias, Non-Executive Director/ Chairman of the Board

Mr Kapila Ariyaratne, Director/Chief Executive Officer (30 April 2023)

Mr Ramesh Jayasekara, Director/Chief Executive Officer (w.e.f. 01 May 2023)

Mr L H A Lakshman Silva, Independent Director

Ms Averil A Ludowyke, Independent Director

Mr L A S Fernando, Deputy General Manager/ Chief Risk Officer

Profiles of the Directors holding membership in the Committee are provided in pages 80 to 83 of the Annual Report. The Deputy General Manager/Chief Risk Officer (CRO), Mr L A S Fernando as the Head of the Risk Management Unit functioned as the Secretary to the Committee during the year whilst the Company Secretary was in attendance at the two special meetings held without the Management. The Key Performance Indicators of CRO was reviewed by the Committee during the first quarter.

Meetings of the BIRMC

Seven regular meetings on a quarterly basis and three special meetings (which includes the two special meetings without the management) were held during the year. Copies of the confirmed Minutes of meetings were made available to the Board of Directors for information whilst recommendations of the Committee were submitted to the Board for review and appropriate decisions.

Details of attendance of the members at the meetings are presented in the table providing 'Directors' attendance at Subcommittee meetings' in the Corporate Governance Report published in the Annual Report. The Head of Compliance who reports directly to the BIRMC as well as the Chief Financial Officer attended the regular meetings of the Committee whilst other management members were present when invited by the Committee.

Compliance with the Corporate Governance Directions

The execution of responsibilities of the Committee and the extent of the Committee's compliance with the Banking Act Directions on Corporate Governance No.11 of 2007 have been briefed under sections 3(6)(v)(a) to 3(6)(v)(h) of the Corporate Governance Report published in the Annual Report.

Risk Management Unit

The Risk Management Unit (RMU) is an independent unit headed by the CRO. The Unit is responsible for creating, managing and implementing a pervasive bank-wide risk culture. The BIRMC reviewed the adequacy of the activities of the RMU and focused on improving communication and implementation of risk management responsibilities at all levels within the Bank. Towards meeting this requirement, the

three subcommittees of the BIRMC, namely, the Executive Credit Risk Management Committee, the Executive Market and Operational Risk Management Committee and the Assets and Liability Management Committee continued to function during the year. Minutes of the meetings of these Committees were tabled to the BIRMC whilst recommendations/decisions of these Committees were also submitted by the CRO to the BIRMC's regular quarterly meetings for review and discussion.

A comprehensive Risk Management Report presented by the RMU, disclosing the Bank's level of risk management and assessment including the levels of risk under different risk categories is included in the Annual Report.

Compliance Function

The Head of Compliance, Ms Chava Gunarathne reports directly to the BIRMC. She is responsible for ensuring due compliance of the Bank with laws, regulations, internal controls, policies and industry best practices. Periodic updates to the BIRMC were provided by the Head of Compliance on the regulatory developments and their impact to the Bank; outcome of compliance assessments, corrective measures and precautionary measures taken where required; compliance risk dash boards, findings of internal audit, external audit and regulatory audits on compliance function etc. The BIRMC provided advice and recommendations on the compliance risks identified, proposed policies and new developments to the compliance function.

Integrated Risk Management Framework and Implementation

Some of the key and supplementary activities carried out and/or endorsed by the Committee during the year included (but not limited to);

- Assessment of credit, market, liquidity, operational, information security/ technology and strategic risks.
- Review and recommend policies related to risk management and compliance.
- Review and assessment of the extent of independent credit risk reviews, business continuity planning, disaster

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

recovery testing, information security risk controls, outsourced activities, Risk Control and Self-Assessment (RCSA) exercise.

- Review the key risk indicators for credit risk, market risk, operational risk and technology risk on a quarterly basis and to inquire on any deviations from the Board approved limits.
- Ensure conducting of stress testing exercise considering various adverse scenarios to assess materiality and probability of potential losses and their impact on profitability and capital adequacy.
- Review of various reports submitted on assessment of compliance risks.
- Review and assessment of status updates on the implementation of activities as per the Compliance Activity Calendar.
- Review of the risk assessments and controls of the Bank's subsidiary, Seylan Developments PLC.
- Assessment and impact of the Macroeconomic downturn in the country.
- Evaluation and review of the Bank's Internal Capital Adequacy Assessment Process (ICAAP).
- Provide guidance on the implementation of important regulatory Directions across the Bank.
- Review of the Bank's credit risk management framework and set in place an Action Plan to implement an effective Early Warning Indicator monitoring mechanism across the Bank, validate the Bank's SLFRS9 Impairment Models/Internal Risk Rating Models, further development and improvement of the said Models, arranging to introduce a Risk Based

Pricing Methodology and to use Internal Risk Rating Models for the computation of SLFRS9 Impairment amounts.

• Evaluation of the Board Integrated Risk Management Committee.

The Members of the BIRMC carried out a self-assessment of the Committee's performance. The Committee was satisfied that it had carried out its responsibilities in an effective manner during the year.

D M Rupasinghe (Independent Director)

Chairman – Board Integrated Risk Management Committee

20 February 2024

RISKS AND OPPORTUNITIES

Managing the risk universe

Seylan Bank undertakes risk management with the primary aim of adopting and advocating an enterprise-wide approach towards the management of risk. The Bank takes a holistic approach towards risk management which enables both the pursuit of business objectives and the fulfilment of stakeholder expectations efficiently and effectively while withstanding the evolving challenges in the external environment.

The risk management process provides a cohesive structure and framework to identify, assess, prioritise and manage the current and inherent risks of business activities. This process is designed to embed risk management behaviours within every aspect of the Bank's operations in such a way as to fit the complexity and size of the organisation while allowing for sustainable future growth. Additionally, the Bank has also developed a Risk Governance Framework, which underpins the risk culture of the Bank as a means to safeguard the environment in which risk management can exist and prosper.

The Three Lines of Defence

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Seylan Bank manages its business risk using the 'Three Lines of Defence' model. This approach ensures that each employee is fully aware of their responsibilities in the management of risk, irrespective of whether their role is in a commercial, policy-making or control function. The Three Lines of Defence approach also ensures that risk management responsibilities are properly aligned to strategic plans and corporate objectives, thereby directing the actions of all employees who must perform an important role in the risk management process.

line of defence

Comprises of branches, business units and departments, which are responsible for managing the risks related to day-to-day operations. The Director/Chief Executive Officer and the Corporate Management team are responsible for managing and steering the relevant business units that ensures proper risk management and controls are adhered to and complied with.

line of defence

Comprises of the Risk Management Unit and the Compliance Department, with responsibilities to create and maintain the corporate risk governance framework, risk management systems and the policies and procedures which provide the boundaries within which business activities will be carried out. It ensures that risks are appropriately identified, monitored, assessed and managed. The second line is established mainly at the Head Office but works hand-in-hand with the business units to ensure business operations are carried out with due diligence and in a risk mitigated environment.

line of defence

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Internal and External Audit functions which provide an independent and objective assurance of the Bank's corporate governance and internal control systems and processes. This includes the effectiveness and efficiency of the internal controls in the first and second lines of defence. This approach to managing risk has enabled the Bank's risk management function to evolve and become stronger over the years while complying with local and global best practices in risk management. It has supported the development of risk management policies and procedures which are adaptable to emerging trends in the operating environment while taking into consideration business needs as well as regulatory requirements and recommendations.

Risk Culture

The risk management culture is embedded within the larger organisational culture. The essence of our mission and business model supports to mitigate the risk and seek opportunities allowing the Bank to develop a resilient business that is able to play its part in the sphere of banking in a more diverse, sustainable and transparent manner.

In addition, our internal governance structure provides a sound basis to enable an effective risk culture. The Three Lines of Defence in particular, ensures merging of responsibilities across the organisation in terms of business, risk, compliance and internal audit ensuring each employee understands the boundaries of their responsibilities and how their position fits into the organisation's internal control and risk management framework. This also relates to the aspect of segregation of duties, which is an important element of the internal governance and organisational structure.

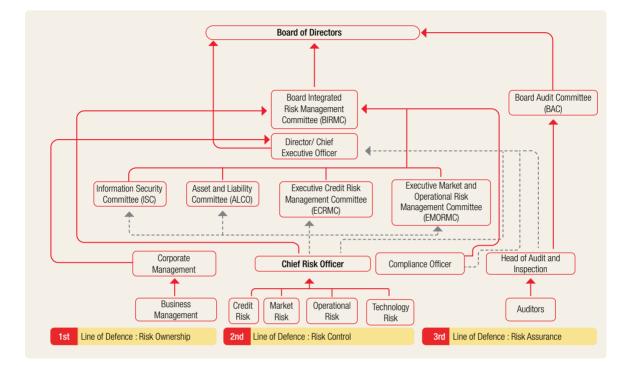
The Board Integrated Risk Management Committee (BIRMC) performs its 'oversight' role by setting the 'Tone at the Top'.

They lead in the development of the key elements of the internal control and risk management framework, including setting of risk appetite, strategy, targets, values and company culture, approval of risk and compliance frameworks, overall risk related policies and the approval of internal control over financial and non-financial risks.

RISKS AND OPPORTUNITIES

The Risk Management Structure

The Risk Management Structure clearly defines the roles and responsibilities of the management and the executive committees. To a greater extent these roles involve in managing and monitoring of risk exposures, the risk appetite aligned with the strategic goals of the Bank.



- The Executive Credit Risk Management Committee (ECRMC) manages the credit risk throughout the Bank. It also formulates clear credit policies and makes recommendations for Board approval. The ECRMC ensures that the Board of Directors and the BIRMC have all the credit risk related information needed for decision making. However, it is the Board Credit Committee (BCC) that has the authority to review and where appropriate, approve credit facilities and recommend them to the Board of Directors which is the final approving authority for high value lending.
- The Asset and Liability Committee (ALCO) has authority to decide on managing market, interest rate and liquidity risks. BIRMC is apprised with information in this regard for decision making, and if required the final approval is with the Board of Directors.
- The Executive Market and **Operational Risk Management** Committee (EMORMC) has the authority to oversee all Operational Risk, Technology Risk, Market Risk, Liquidity Risk and Compliance Risk matters related to the Bank's business activities. The committee is responsible to coordinate the processes of implementing and managing the effectiveness of Operational Risk Management Policies, Information Security Risk Management Policies and Market Risk Management Policies that are formulated and reviewed by BIRMC and approved by the Board of Directors.
- The Information Security Committee (ISC) is responsible for both strategic and operational aspects of information security and technology risk management.

The Risk Appetite Statement

The risk appetite outlines the amount of risk the Bank is willing to accept in the pursuit of its objectives. The Bank has set comprehensive and robust risk tolerance limits based on the Risk Appetite of the Bank. While BIRMC reviews the Risk Appetite Statement of the Bank, the final approval lies with the Board of Directors. The Board of Directors are responsible for the risk appetite limit structure which is reviewed annually to align with business growth and strategy.

The Bank sets risk tolerance limits for its key risk indicators pertaining to credit risk, market risk, liquidity risk, operational risk and technology risk.



The Bank puts forth and follows a comprehensive risk appetite agenda in managing all risks emanating from banking operations. The risk appetite statement takes a holistic view of the way in which risk is managed and mitigated.

		Limit	2023	2022
1	Impaired Loans (Stage 3) Ratio%	6.0%	3.85%	4.98%
2	Impairment (Stage 3) to Stage 3 Loans Ratio %	55%	68.29%	54.36%
3	Performing Overdrafts without limits (LKR Mn)	500	127	323
4	Large exposures (over LKR 500 Mn)/Total capital	8 Times	7.04 Times	7.1 Times
5	Exposures on the Related parties/Total Capital	Max of 55%	38%	36.72%
6	Total Government Security Investments to Total Assets (Interest Earning)	Less than 30%	26.77%	23.04%
7	Equity Investment Value (Quoted CSE) to Total Assets (Interest Earning)	Less than 1%	0.47%	0.45%
8	Net Open Position (USD Mn)	+10/-16	+1.993	+4.130
9	Statutory Liquid Asset Ratio - Overall	Greater than 21.00%	38.04%	25.51%
10	Statutory Liquid Asset Ratio - Domestic Banking Unit	Greater than 21.00%	38.51%	25.16%
11	Statutory Liquid Asset Ratio - Foreign Currency Banking Unit	Greater than 21.00%	23.28%	25.02%
12	Advances to Deposits Ratio Bank	Less than 97.50%	84.17%	89.61%
13	Advances to Deposits + Debentures	Less than 95.00%	81.42%	86.20%
14	Advances to Stable Funds	Less than 100.00%	85.90%	89.60%
15	Swaps (USD Mn)	175	7.50	56.38
16	External Borrowings (LKR Bn)	50	4.90	5.48

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

The Central Bank of Sri Lanka issued the Direction on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks dated 14/09/2021. The Direction has been issued with a view to further strengthen and harmonise the regulatory framework on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks with the Sri Lanka Accounting Standard, SLFRS 9: Financial Instruments and establishing consistent and prudent practices in the Banking industry.

To be in compliance with the Banking Act Direction No. 13 of 2021, the Bank developed and implemented the following Policies, Procedures and Guidelines with effect from 1 January 2022 with the approval of the Board of Directors.

- Procedure and Guidelines on Estimating Impairment Allowance under SLFRS 9.
- Model Validation Policy Document

for Expected Credit Loss Model in line with the SLFRS 9 "Financial Instruments".

- Policy on Upgrading/ Downgrading of Re-scheduled/ Restructured Facilities.
- Policy on Staging of Credit Facilities under Stage 2 & Stage 3 due to Significant Increase in Credit Risk (SICR) and the Rebuttals.
- Policy on Write off/ Write down of Nonperforming Advances.

RISKS AND OPPORTUNITIES

Further, the Risk Management Unit on a quarterly basis gets involved in ensuring accurate assessment of individually significant customers as impaired based on Objective Evidence and Independent Validation of (expected cash flows/ assumptions) individually significant impaired facilities.

Need for Monitoring of Credit Facilities

Once credit facilities are granted to worthy clients after a careful credit evaluation, the Lending Officers need to recognise the importance of closely monitoring the relevant credit exposures during the total tenor of the facilities to ensure that such credit facilities remain in the Performing Category to derive the expected financial benefits to the Bank. If not properly monitored the possibility of any credit facility later getting classified under the "Under Performing Credit Facilities - UPCFs (Stage-2)" or "Non-Performing Credit Facilities - NPCFs (Stage-3)" is more and such deterioration in the credit exposures will generate many adverse impacts.

Noting the importance of closely monitoring the credit facilities and to take timely corrective action to prevent slippage of such facilities in to the "Under Performing" or "Non Performing" categories, the Bank has already made arrangements by issuing internal guidelines to effectively establish a strong mechanism to monitor the Early Warning Indicators [EWIs] and Significant Increase in Credit Risk (SICR) factors across the Bank's network and to take required remedial measures in time.

Monitoring of Early Warning Indicators (EWI)

As part of our Bank's efforts in identifying the distressed credit exposures at an early date to take the required corrective measures as relevant. The Bank is in the process of implementing an Al enabled robust EWI system as part of Delinquency Management System.

Managing Credit Risk

Credit risk is defined as the risk of a potential loss to the Bank, when a counterparty fails to perform on an obligation, in accordance with the agreed terms or its ability to perform such obligation is impaired resulting in a loss to the Bank. In essence, the proper management of credit risk underpins a Bank's financial stability, growth prospects and profitability.

Seylan Bank has developed a wellstructured credit risk management process in order to maintain the quality of the credit portfolio of the Bank at an optimal level.

Accordingly, credit risk is managed through:

- A comprehensive framework which includes well-defined policies and procedures comprising clearly structured approval hierarchies and different committees to oversee various aspects of credit risk management processes.
- Diversification strategies across products, geographical areas, industries and customer segments.

The Bank's Credit Standards and Policy Manual outlines the fundamental standards and disciplines that must be implemented to actively manage credit risk across our lending book. The Lending Guidelines conversely outlines the Bank's strategic risk/ reward objectives in the light of evolving market conditions by clearly setting out the preferred industries and lending types to be targeted for lending growth during each calendar year.

These standards, policies and guidelines lay down key roles and responsibilities of those required to originate, identify, analyse, rate, review, price, report, diversify, control/mitigate and manage credit risk and are applicable to all lending activities undertaken by the Bank.

In addition to setting up exposure limits for individual customers, the Bank manages counter-party credit exposures, using the 'one obligor principle', so that all facilities to a group of borrowers wholly or substantially owned or controlled by common or related parties are aggregated and evaluated together under the coordination of a designated lead relationship manager.

The monitoring of credit concentration is an integral part of the credit risk monitoring process at Seylan Bank. Accordingly, the Bank constantly reviews its credit concentration on a number of areas such as geography, product type and industrial sectors. Close monitoring of key ratios/ internal thresholds on a continuous basis and stress testing of the credit portfolios form another strategy to measure and monitor the credit concentration risk of the Bank's loan portfolio.

Additionally, the Bank's credit risk management strategy includes identifying emerging customer risks which can impact on business activities well in advance. This ensures that the credit facility or the relationship returns the expected profitability while the close monitoring of the usage of working capital facilities ensures prevention of diversion of funds into unintended areas and ensures timely repayment of the facilities.

Assessment of Credit Risk

In order to grow the Bank's loan book through high quality loans and advances, there is a clear segregation of duties between transaction originators in business areas and approving authorities under the risk function. All credit exposure limits are approved within a well-defined credit approval authority framework. Credit risk evaluation and approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. All high value credit propositions above a certain threshold level are approved by the Internal Credit Committee, Board Credit Committee, or the Board of Directors as relevant.

The Bank has delegated credit approval authority to individual lending officers based on a consistent set of standards such as experience, judgement and ability. These authority levels are subject to review annually.

If an individual lending officer's authority is insufficient to establish, materially change or restructure the required credit limits, these proposals are escalated to an officer or committee having the required higher delegated authority. In addition, the individual credit exposure limits of customers are subject to a critical review annually and require the approval at the appropriate authority level. Managers recommending, reviewing or approving facilities are held accountable for the outcome.

Credit Risk Mitigation

In mitigating credit risk, the Bank primarily relies on,

- a rigorous assessment of credit applicants,
- the strength of their business model,
- sustainable financial conditions and
- our ability to meet their current and future financial requirements

Further, the lending proposals are typically required to show more than one independent credible source of repayment. The primary source is established through a conservative evaluation of whether the borrower's realistic projected cash flows will be sufficient to repay their debts. The Bank normally requires this to be supported by at least one alternative way of settling the debt in the event of unforeseen adverse circumstances, but firmly believes that the availability of collateral does not itself make an unacceptable lending proposition acceptable.

In instances where the Bank accommodates highly reputable and financially strong corporate borrowers whose performance is regularly and rigorously reassessed on the basis of reliable financial information; we grant facilities on an unsecured basis on the strength of their operational cash flows.

The Bank uses various techniques and controls to limit and mitigate credit risk exposures and reduce potential credit losses. These include documenting credit transactions with adequate terms, conditions and covenants in a comprehensive and legally enforceable basis and obtaining of guarantees, financial or other collaterals to provide a secondary recourse to minimise credit losses.

Such guarantees serve to mitigate the inherent risk due to credit default and minimise any related losses by either substituting the borrower default risk or improving recoveries.

The Bank nets-off collateralised cash deposits against the on- balance sheet non-performing advances in the instances where the relevant documentation which is legally binding on all parties and enforceable across all jurisdictions are available. In the standardised approach, collateral recognition is limited to eligible financial collateral, but this approach provides a preferred (lower) risk weight for 'SME exposures secured by immovable property' and 'claims secured by residential property'. Though the Bank relies on the individual and corporate guarantees in granting credit facilities, the Bank has not relied upon any credit derivative instruments to transfer the credit risk assumed on customers.

The Retail/SME and Corporate customers capital outstanding equivalent or greater than LKR 50.0Mn and LKR 200.0Mn respectively as at assessment date is considered as Individually Significant and selected for Individual assessments. Further, all individually not significant credit facilities and individually significant nonimpaired facilities are selected for Collective assessment.

Impairment provisions of Individually significant impaired facilities are measured by estimating future cash flows on an individual basis as follows;

- Multiple scenario application for facilities LKR 100.0 Mn and above
- Single Scenario assessment for facilities below LKR 100.0 Mn

RMU is involved in validating all the Individually significant impaired facilities prior to finalization of the quarterly financials on an ongoing basis. Accordingly, individually significant impairments are done with the concurrence of Risk Management Unit.

The Bank has developed an Expected Credit Loss (ECL) Model in line with the requirements of SLFRS 9 Financial Instruments for the Collective impairment assessment. The key components of the ECL model is as follows;

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)
- Discount Factor (DF)

The Bank obtained the services of an external consultant to validate the ECL models as well as for capacity building to carryout SLFRS 9 model validations internally going forward.

The Risk Management Unit is also involved in identifying and recommending the Risk Elevated Industries for Management overlay under SLFRS9 Impairment Provisioning through the concurrence of the ECRMC and BCC.

Monitoring, Reporting and Disclosure of Credit Risk

Respective Business Unit Heads are primarily responsible for monitoring the performance of their lending to ensure that the Bank's credit portfolio profitability and lending quality objectives are achieved. Credit risk management uses a comprehensive range of quantitative tools and Bank-wide credit limits to monitor lending, contingent commitments and other off-balance sheet exposures, profitability, quality trends and concentrations and identifies whether the Bank is growing undue exposure concentrations and whether credit risks are adequately remunerated. The Risk Management Unit makes recommendations for suitable amendments if required, after reviewing the existing credit policy framework.

The Chief Risk Officer (CRO) reports these concentrations regularly together with his recommendations for corrective actions to the ECRMC and escalates the significantly important matters to the attention of the BIRMC. This rigorous process enables the Board of Directors to oversee the Bank's credit risk exposures, ensuring that the Bank quickly identifies emerging risks and risks that are not aligned with the Board approved credit risk appetite while initiating timely corrective measures.

Loan Review Mechanism

In line with the Banking Act Direction No. 07 of 2011 under the "Integrated Risk Management Framework", the Bank has adopted a Loan Review Mechanism (LRM) which stands as an effective tool for constantly evaluating the quality of the loan book and bringing about qualitative improvements in credit administration.

Under the purview of the CRO, the Credit Risk Review Unit conducts independent risk reviews of high value loans (LKR 500 Mn and above)/ small and mid-tier facilities (through Regional Risk Officers)/product portfolio reviews. Independent risk reviews are conducted within three months of sanction/renewal of facilities covering at least 30%-40% of the loan portfolio within a calendar year.

RISKS AND OPPORTUNITIES

For the year 2023, the Credit Risk Review Unit has performed a total of 482 reviews to the value of LKR 185.331 Bn which covers 34.58% of the Net Loans and Receivables of the Bank.

The main focus of the independent risk reviews is on the approval process, accuracy and timelines of credit ratings assigned by loan officers, adherence to internal policies and procedures, applicable laws/regulations, compliance with covenants and conditions, post sanction follow-up, sufficiency of documentation and portfolio quality.

The findings of the reviews and the recommendations for improving the portfolio quality are presented to the ECRMC and to the attention of the BIRMC.

Definition of Past due and Impaired Based on CBSL Guidelines

A Non-Performing Loan is any loan that is for more than 90 days past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans renegotiated before 91 days past due and on which no default in interest payments or loss of principal is expected.
- Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments during the watch period since renegotiation and against which no loss of principal is expected.

Impaired Loans comprise both individually and collectively identified loans for the assessment of impairment allowances. These loans also include collateralised loans or loans where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing. Approach on Individually Significant and Collective Loan Loss Provisioning

The Bank's loan loss provisions are established to recognise impairment losses incurred either on specific loan assets or within a portfolio of loans and receivables.

Impairment allowances may be assessed and created either for individually significant accounts or on a collective basis for groups of individually significant accounts for which no evidence of impairment has been individually identified or for high volume groups of homogeneous loans that are not considered individually significant. Individually impaired loans are those loans against which individual impairment provisions have been raised.

Estimating the amount and timing of future recoveries involves significant judgement and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the Statement of Financial Position date is determined on a portfolio basis and assigned an Expected Credit Loss (ECL) experienced as a result of uncertainties arising from the economic environment and defaults based on portfolio trends. Under SLFRS/LKAS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary. Impairment allowances are measured individually for assets that are individually significant and collectively where a portfolio comprises homogeneous assets

and where appropriate statistical techniques are available.

As per SLFRS 9, calculation of the impairment has been assessed and disclosed based on Stages 1, 2 and 3 of the portfolios and such disclosures are explained in Note 25 of Financial Statements.

Credit Concentration Risk

Credit concentration risk may arise where a number of counter-parties are engaged in similar activities and have similar characteristics, which could result in the inability to meet contractual obligations being similarly affected by changes in economic or environmental conditions. Concentration risk is mitigated to a large extent by stipulating prudent credit risk limits on various parameters. CBSL also has specified certain guidelines on maximum exposures in respect of single/related party borrower limits and large exposures.

Related Party Lending

Related parties include the Major Shareholders, Subsidiaries, Directors and Key Management Personnel of the Bank and their close family members (CFM). The Bank has set an internal limit on the overall exposure to the related parties and ensures that credit decisions are made on a rational basis, as per the relevant legislation, approved policies and procedures and is based on market terms, with no preferential treatment.

Over Exposure to Geographical Areas, Economic Sectors and Lending Products

Exposure to a single sector of the economy or lending product or to a narrow geographical region is another dimension of risk concentration. Borrowers may be vulnerable in the event of an economic or market downturn affecting their economic sector, which in turn can affect their ability to service the loans. In order to mitigate this risk, the Bank sets individual concentration limits for exposure to various sectors. The Bank closely monitors the quantum and quality of lending by geographical areas.

Credit Risk Management Outlook for 2024

- The Bank has obtained professional expertise in validating the Internal customer rating models/ scorecards. In 2024, the Bank will
 develop/ revamp the internal customer rating models/ scorecards incorporating the proposed changes so that these models stands
 up to date with the market conditions.
- The Bank will be procuring a Delinquency Management System (DMS) to facilitate and streamline the Collection & Recovery
 process of the Bank. This DMS will be having an in-built Machine Learning Capability and Early Warning Indicators (EWIs) as well.
 This robust EWI system will help the Bank to proactively identify the problematic customers to initiate action plan to nurse the
 customers.
- The Credit Risk Review unit will incorporate an automation mechanism within the Loan Origination System for the following; identification of high value exposures for timely reviews & approval process (already implemented) and comprehensive data capturing.
- Make arrangements to bring the work flow of the Provision Calculations on Individually Significant Loans within the Bank's Loan Origination System (which is now the Bank's de facto Digital Approval System) to further streamline the related process.

Managing Market Risk

Market Risk is the risk taken in relation to price fluctuations in the financial markets which would have an adverse impact on the trading exposures and the foreign exchange Net Open Exposure as well as the risk that would impact the on-balance sheet and off-balance sheet risk, triggered by interest rate fluctuations.

Market Risk takes place when the value of portfolios, instruments or investments increase or decrease as a result of volatility and unpredicted movement in market factors such as exchange rates, interest rates and prices. Several types of risk may arise due to market volatility in prices and interest rates and the Bank manages and monitors these risks diligently.

Policy and Responsibility

The Board of Directors defines the overall policies / limits for the market risk exposures. The limits on market risk are defined giving due consideration of the risk they imply and how they match the Bank's strategic plan. On behalf of the Board, the Risk Committees; EMORMC and ALCO are responsible for managing the market risk in the Bank's major business areas especially the Treasury. In the first line of defence; the Treasury is responsible in monitoring and managing the Bank's market risk and trading exposures. Business Units are closely monitored for their market risk operations but is managed and monitored under the Treasury exposures. The Risk Management Unit (RMU) reports market risk to ALCO on a monthly basis. RMU also reports to EMORMC monthly and to BIRMC on a quarterly basis. The timely reporting to the Corporate Management enables quick and sound decision making and required

actions to be taken to manage market risk proactively.

Treasury Middle Office

The Treasury Middle Office (TMO) is the arm of the Market Risk Unit, which oversee and monitor the controls put in place by the Board of Directors for Market Risk Management in treasury operations on a daily basis.

Some of the monitoring tools set by the Management and Board which enables TMO to adopt a stringent monitoring mechanism includes but is not limited to;

- A set of limits to ensure that risktakers do not exceed the aggregate risk and concentration parameters set by the Board. Limits are proposed for business units and risk sources by the Management and is Board approved.
- Online and real time monitoring of Treasury dealing and trading through the dynamic Treasury Risk Management System
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop losses for trading positions on a timely basis.
- Accountability for the support and maintenance of the Treasury Management System reports and the design and delivery of value adding new reports
- A process for assessing the risk of new products.
- Independent Monitoring of Call Records in Treasury Operations

Interest Rate Risk

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book (IRRBB) arises principally from mismatches of assets and their funding cost (deposit liabilities) as a result of interest rate changes. The aim through the management of IRRBB is to mitigate the impact of prospective interest rate movements that could reduce future net interest income, while balancing the cost of such hedging activities on the net revenue stream. In most instances, the contractual terms of products differ due to customer behaviours. For these products, assumptions are used on behavioural analysis to allow more accurate and feasible risk management techniques to be adopted.

The deteriorating economic conditions continued during the current financial year where the financial industry had to face many challenges to manage interest rate risk in portfolios to optimal levels. The interest rates, which escalated during the previous year, remained at these levels at the beginning of the financial year. However, with monetary policy decisions, the market saw an easing in interest rates, which settled down at around a level of 12% -13% at the close of the financial year. In the same manner inflationary pressure also eased to a greater extent which contributed towards a downward push in interest rates.

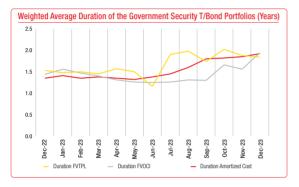
At Seylan Bank PLC these challenges were faced with a positive outlook, ensuring the interest rate risk faced by the Bank did not weigh down sustainable growth prospects as well as to manage the re-pricing risk using the behavioral patterns of the asset and liability portfolios'.

RISKS AND OPPORTUNITIES

Portfolio Interest Rate Risk

The Bank's policy is to invest mostly in Government Securities such as Treasury Bills and Treasury Bonds to meet the liquidity requirements of the Bank and for trading purposes. Therefore, the Bank holds a substantial portion of Government Security Treasury Bills and Bonds as well as a minor portion of ISBs. As a result, the Bank is exposed to the Interest Rate Risk in these portfolios which is strategically managed and close monitoring takes place to avoid adverse impact to Capital and Earnings.

The following graph represent the weighted average duration of the Government Security Treasury Bond portfolios during 2023:



The Bank adopts a monthly Earnings at Risk (EaR) methodology that estimates the Bank's interest rate risk of the balance sheet, with a given level of confidence, over a one-year horizon. The EaR considers all pertinent risk factors and covers all financial instruments which expose the Bank to interest rate risk across nearly all product groups.

Mostly the interest rate risk is measured as the effects of a percentage point parallel shift of the yield curve.

Exchange Rate Risk

The Bank considers that assets and liabilities in other currencies denote an exchange rate risk as they may vary in value over time relative to LKR. The Bank's core business as a commercial bank makes it necessary to have access to foreign currencies and to hold positions in major currencies.

Currency exposures are managed applying individual currency limits and the overall exposure is managed within the Net Open Position (NOP) limit defined by the regulator. Individual and cumulative intra-day limits, daylight limits and overnight limits are defined for the treasury to operate within these boundaries to mitigate the risk stemming through these exposures. The foreign exchange risk limits are agreed and approved by the Board of Directors.

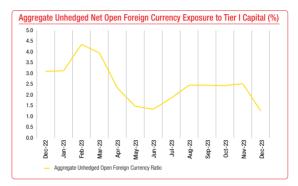
The Bank's exchange rate risk mainly stems from:

- Customer loans/deposits in foreign currency and
- Treasury's positions in foreign currency

The foreign exchange risk is monitored and reported to the respective Heads of the Management daily, and is discussed at the ALCO on a monthly basis or more frequently, when a need arises due to the prevailing volatile market conditions.

The Sri Lankan Rupee appreciated during the year from a 360 level to a level of 320 as at the close of the year 2023. The Bank's strategy was to maintain the Net Open Exposure at manageable levels. As a result, the Net Open Exposure was maintained at a Net Long Position throughout the year. The NOP remained quite static during the latter part of the year and closed at a minute level of USD 1.993 Mn (long) at the close of the year. This exposure is measured and managed against the Bank's Tier I Capital and has been at very negligible levels.

The following graph presents the NOP as a percentage of the Tier 1 Capital during the year 2023:

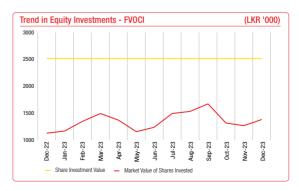


Share Investment Risk

The Bank's investment policy and the risk policy restricts equity positions to listed shares; invested for trading purposes and invested for strategic reasons. The Bank also holds unlisted shares made for reasons such as investments in unlisted banking related companies. These are mainly investments in companies providing financial infrastructure and financial services to the Bank. For some of these investments, the holding is revalued yearly according to the net worth of the companies.

The management of the price risk of equity investments is the responsibility of the Treasury Unit with oversight of the Treasury Investment Committee. The Market Risk Management Unit acts independently in monitoring and reporting the Share Investment Risk and is responsible for reporting the impact on earnings on a daily basis to the Treasury Investment Committee and the impact on earnings and regulatory capital on a monthly basis to ALCO and EMORMC and subsequently to BIRMC.

The graph represents the investments in shares and the behaviour of market values of the share investments in the FVOCI portfolio during the year 2023:



GOVERNANCE

Managing Liquidity Risk

Liquidity risk is the risk that the Bank either does not hold sufficient financial resources to meet our obligations as they fall due or can only access these financial resources at an excessive cost.

The Bank's policy is to maintain adequate liquidity at all times to meet local currency requirements and for all other major foreign currencies and to be in a position to meet obligations as they fall due. The Bank manages liquidity risk both on a short-term and medium-term basis. In the short-term, our focus is on ensuring that the cash flow demands can be met as and when required. In the medium term, the focus is on ensuring that the balance sheet remains structurally sound and aligned to the Bank's long-term strategy.

ALCO is the responsible governing body that oversees the Bank's liquidity management policies.

The Treasury receives authority from ALCO, which is responsible in managing the liquidity positions of the Bank. Liquidity is managed within the pre-defined liquidity limits approved by the Board and in compliance with internal liquidity policies and practices, as well as and external regulatory requirements. The Treasury proposes strategies in managing liquidity risk, while RMU is instrumental in setting up and overseeing the implementation of policies and other controls relating to liquidity risk.

During the current financial year, the Bank was able to manage liquidity at very sound levels, mainly due to the ability to divest the Bank's funding mostly in government securities which in turn enabled the Bank to hold high quality liquid assets and to drive the liquidity indicators to healthy levels.

The Bank was also able to maintain high liquidity buffers during the year. Hence the Bank was able to successfully maintain healthy liquidity positions to meet the banking needs as well as regulatory requirements.

Control and Management

The Bank considers tapping available sources of liquidity, preserving necessary funding capacity and continuous contingency planning as the essential ingredients in managing liquidity risk. Liquidity targets are maintained to ensure that even under adverse conditions funds are available to cover customer needs, maturing liabilities and other funding requirements.

Deposits represent the Bank's principal source of funding. Our well-diversified retail deposit portfolio represents a large portion of our funding concentration while a portion of hot money has been raised from corporate and institutional customers. The Bank raises funds, locally or globally, which includes repurchase agreements and money market instruments.

To mitigate uncertainties in the customer behavioural patterns, the customer deposit base is diversified by type and maturity levels. In addition, the Bank has in place a contingency funding plan including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Measurement and Management of Liquidity Risk

The Bank's liquidity strategy, including policies and procedures for measuring, managing and controlling liquidity, helps to fulfil the objectives of maintaining sufficient sources of liquid funds to meet funding obligations when they are due. The strategy, policies and processes are designed to ensure that the Bank is in a position to fund all obligations across planned time horizons, during both normal operations and under stress situations.

The policies and procedures outline appropriate early warning indicators to alert the Bank to a pending liquidity issue through a number of prudential ratios and funding concentration levels. Measuring liquidity risk is key to ensuring liquidity issues are identified timely. In terms of measuring liquidity, Basel III introduced two minimum standards for measuring adequate funding and liquidity in stressed situations. The Bank ensures to measure and manage liquidity risk as per these Basel III standards and requirements.

The Liquidity Coverage Ratio (LCR), shown in the table on page 139 under Basel III computation of liquidity coverage ratio enables the Bank to measure the short-term resilience of the Bank's liquidity risk profile by ensuring that the Bank has sufficient High-Quality Liquid Assets (HQLA) to survive a stress scenario lasting 30 days. The Net Stable Funding Ratio (NSFR), shown in the table on page 139 under Key Regulatory Ratios also enables to reduce the funding risk over a one year time horizon by requiring the Bank to fund activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

As envisaged in the ALM policy, while the Liquidity Risk is managed through the stock approach, liquidity risk is also managed through the traditional flow approach better known as the 'Gap Analysis' based on the residual maturity/ behavioural pattern of assets and liabilities as prescribed by the CBSL and against prudential (tolerance) limits set for different residual maturity time buckets. In addition to the contractual maturity mismatches the Bank mostly concentrates on the behavioural patterns of the assets and liabilities which give a more realistic scenario to the asset and liability mismatches.

MARKET RISK AND LIQUIDITY RISK OUTLOOK FOR 2024

- The Bank is currently making preliminary arrangements to replace the existing Treasury Management System with an updated version of a new fully fledged Treasury Management System to further strengthen the Treasury Front Office activities which will also enhance the Market Risk management and controls of the Treasury Middle Office.
- Enhance Managing Interest Rate Risk through efficient measurement tools.

RISKS AND OPPORTUNITIES

The Maturity Gap Based on Behavioural Analysis is depicted in the following table

	Up to 3 Months LKR '000	3 to 12 Months LKR '000	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years LKR '000	Total as at 31.12.2023 LKR '000
Interest Earning Assets						
Loans and Advances	167,428,886	98,888,630	85,300,611	42,456,980	43,457,363	437,532,470
Placements with Banks and Finance Companies	22,064,672	-	-	-	-	22,064,672
Government of Sri Lanka Treasury Bills/ Bonds,Development and Sovereign Bonds and US Treasury Bills	71,228,765	39,777,357	33,706,146	14,379,520	9,694,161	168,785,949
Investments in Debentures	19,509	33,250	266,231	66,500	365,644	751,134
Securities Purchased under Resale Agreements	817,150	-	-	-	-	817,150
Balances with Banks	31,815,850	580,788	-	-	-	32,396,638
Total Interest Earning Assets	293,374,832	139,280,025	119,272,988	56,903,000	53,517,168	662,348,013

Non Interest Earning Assets						
Cash In Hand	12,296,717	-	-	-	-	12,296,717
Balances with Central Bank of Sri Lanka	1,512,542	1,731,050	1,153,304	944,736	1,686,649	7,028,281
Balances with Banks	4,157,788	-	-	-	-	4,157,788
Investments in Equities	-	1,802,855	-	-	1,153,602	2,956,457
Group Balances Receivable	-	500	-	-	40,000	40,500
Property, Plant & Equipment/Intangible Assets/Right of Use Assets	-	-	-	-	9,526,157	9,526,157
Deferred Tax Assets	-	3,171,806	-	-	-	3,171,806
Derivative Financial Instruments	88,022	-	-	-	-	88,022
Other Assets	16,370,157	60	2	204	1,271	16,371,694
Total Non Interest Earning Assets	34,425,226	6,706,271	1,153,306	944,940	12,407,679	55,637,422
Total Assets	327,800,058	145,986,296	120,426,294	57,847,940	65,924,847	717,985,435

Liabilities & Equity

	Up to 3 Months LKR '000	3 to 12 Months	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years	Total as at 31.12.2023
Interest Bearing Liabilities	LKK UUU	LKR '000			LKR '000	LKR '000
Financial Liabilities at Amortised Cost due to Depositors	122,877,452	133,397,353	90,442,997	71,270,325	132,463,980	550,452,107
Financial Liabilities at Amortised Cost due to Debt Securities Holders	6,841,827	21,171	-	-	-	6,862,998
Due to Banks and Other Borrowings	1,162,539	4,896,175	6,054,193	-	-	12,112,907
Debt Securities Issued	563,789	6,079,912	6,715,000	6,609,000	-	19,967,701
Group Balances Payable	86,548	29,000	-	-	-	115,548
Lease Liabilities	79,167	206,354	529,336	548,522	4,046,039	5,409,418
Total Interest Bearing Liabilities	131,611,322	144,629,965	103,741,526	78,427,847	136,510,019	594,920,679
Non Interest Bearing Liabilities						
Demand Deposits	21,437,930	7,000,775	3,039,440	4,384,039	4,384,039	40,246,223
Other Liabilities	19,572,405	-	-	-	-	19,572,405
Derivative Financial Instruments	21,193	11,076	-	-	-	32,269
Current Tax Liabilities	2,688,253	-	-	-	-	2,688,253
Dividend Payable	18,750	-	-	-	-	18,750
Group Balances Payable	275	-	-	-	-	275
Equity	-	-	-	-	60,506,581	60,506,581
Total Non Interest Bearing Liabilities	43,738,806	7,011,851	3,039,440	4,384,039	64,890,620	123,064,756
Total Liabilities and Equity	175,350,128	151,641,816	106,780,966	82,811,886	201,400,639	717,985,435

Stress Testing

Stress testing is an integral component of our risk and capital management framework. It allows the Bank to assess potential vulnerabilities to the business, models or portfolios. It also helps to understand the sensitivities of the core assumptions in our strategic and capital plans and improve decision making through balancing risk and return.

In addition to the comprehensive internal stress tests scenarios reflecting the outcome in the annual ICAAP risk assessment, the Bank also performs regular/quarterly stress test exercises taking into consideration external and internal stress test scenarios for management insight and timely decision making. Stress tests are generally carried out applying static balance sheet assumptions either at a close of a month, quarter or the end of a financial year.

The result of the stress test reaffirms the resilience of our business models and the strength of the Banks capital base. Our commitment to maintain a robust, Capital Adequacy Ratio (CAR) in excess of the prevailing requirements as well as to minimize Earnings at Risk remains. The stress test results are reported to the respective management committees such as ALCO/ECRMC/EMORMC for decision

making and subsequently to BIRMC on a quarterly basis.

The Bank possesses a comprehensive Stress Testing Policy which outlines various scenarios to measure the stress levels of exposures of credit risk, credit concentration risk, operational risk, liquidity risk, Interest Rate Risk and FX risk.

In addition to the stress tests discussed in this section, a plausible Debt Restructuring was also considered in performing stress tests during 2023. The Bank carried out stress tests using multiple scenarios measuring the impact on capital and liquidity to ensure the stress levels did not have any implications on these indicators.

No	Particulars	Stress Scenarios
1	Credit Risk	
	Increase in NPL	NPL is forecasted based on macro-economic model and a crisis factor is applied to factor in the economic downturn.
	Increase in NPL of top 5 Industries	Deals with the increase in the NPL based on a industry wise classification of facilities and resultant increase in respective provisioning
	Large Borrower Default	Default of the largest borrowers by classifying the credit granted as non-performing
2	Credit Concentration Risk	% increase in Herfindahl-Hirschman Index (HHI) under stress
3	Interest Rate Risk in the Banking Book (IRRBB) EAR and EVE	To assess the long-term impact of changes in interest rates on Bank's Economic Value of Equity (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 (NII)
4	Forex Risk	Change in the value of foreign currency in adverse direction
5	Equity Investment Risk (FVOCI)	Fall in the value of Equity in Available For Sale book
6	Liquidity Risk – Systemic & Bank specific	 Withdrawal of x% of the deposits from the bank within a period Rollover of loans to a period greater than three months Decrease in rollover of interbank borrowings
7	Operational Risk	% increase in total loss incidents

Counter-party Credit Risk

Counter-party credit risk is the risk arising from the possibility that the counter-party may default on amounts owned on a transaction. Financial transactions that derive their value from the performance of assets, interest rates or currency exchange rates get included in structuring the obligation where debt obligations and deposits, swaps, futures and forward contracts are considered for the combination.

Counter-party credit risk which is managed and monitored by the Treasury Middle Office (TMO) are mostly transactions entered into by the Treasury Unit and a combination of trade transactions entered with foreign and local financial counterparts. The Treasury-related transactions include all foreign currency contracts, money market transactions and outright treasury transactions entered into with local and foreign counterparts. A limit framework is put in place to manage the counter-party credit risk. The TMO monitors on a realtime basis the utilisation of each counterparty against the stipulated limit and a daily reporting is carried out to apprise the Senior Management of any irregularities in the limits.

Country Risk Concentration

The Bank manages the exposure to country risk through a framework of limits, specifically limiting and monitoring its exposures to countries with trade barriers and embargoes. Limits are reviewed annually at a minimum, in conjunction with the review of country risk ratings. Country risk limits are approved by the Board and are monitored daily by the TMO.

Recovery Plan

The Bank has established a policy framework to implement the Recovery Planning (RCP) for financial institutions, in line with the CBSL Banking Act Direction No. 09 of 2021 on the Recovery Plans for Licensed Commercial Banks and Licensed Specialised Banks.

The RCP framework seeks to put in place an effective and efficient process to enhance supervisability, recoverability and resolvability of the Bank, by incorporating essential elements and key attributes given in the regulatory framework.

RISKS AND OPPORTUNITIES

The RCP framework aims to -

- facilitate the preparation and maintenance of a robust recovery plan by the Bank which serve as a strategic planning tool that;
- Integrates with the risk appetite framework and reinforces risk management functions and
- Strengthens the Bank to establish arrangements to recover from a wide range of stress events.

The RCP is developed in harmony with the ICAAP, Contingency Funding Plan (CFP) and the BCP of the Bank.

Managing Operational Risk

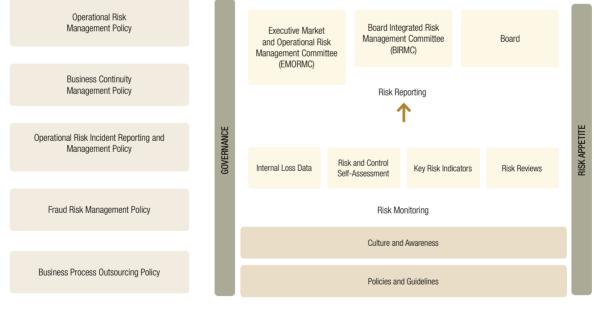
Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events such as natural disasters, social or political events that may impact the Bank. Operational risk includes legal risk but excludes strategic and reputational risks.



The Bank has a well-established Operational Risk Management Policy developed in line with CBSL and Basel guidelines. Under the comprehensive Operational Risk Management Policy, the roles and responsibilities for operational risk have been defined from Board level to business unit levels. The Board of Directors oversee the major aspects of the Bank's Operational Risk as a distinct risk category and approves periodical reviews of this framework. Being the second line of defence, Risk Management Unit (RMU) has established the Operational Risk Management Unit (ORMU) with the objective of implementing and enforcing an appropriate framework for identification, assessment, monitoring and reporting of operational risks. The policies and guidelines listed here in are established within the Bank to manage operational risk effectively.

The Operational Risk Management function is enabled through the day-to-day processes within a predefined framework. The EMORMC is chaired by the Director/ CEO of the Bank and consists of members from Operations, IT, Treasury, Finance, Compliance, Internal Audit and Risk Management units. The CRO represents the risk management function at the BIRMC for reporting and accountability.

The BIRMC ensures appropriate implementation of its instructions through the defined governance structure.



Technique	Management/Mitigation
Risk and Control Self-Assessment (RCSA)	RCSA is defined for key business units of the Bank and is reviewed annually to identify the inherent risks proactively. RCSA is a process through which operational risks and the effectiveness of controls are assessed and examined. Findings from the RCSA exercise are used to manage the residual risks through implementation of proper action plans and control improvements.
Key Risk Indicators (KRIs)	Key risk indicators are metrics used in risk management to provide an early signal of increasing risk exposures in various areas of the Bank. KRIs are reported to EMORMC and BIRMC by way of a dashboard and monitored against the corresponding threshold levels. The appropriate action plans are directed to mitigate the risks based on those thresholds.

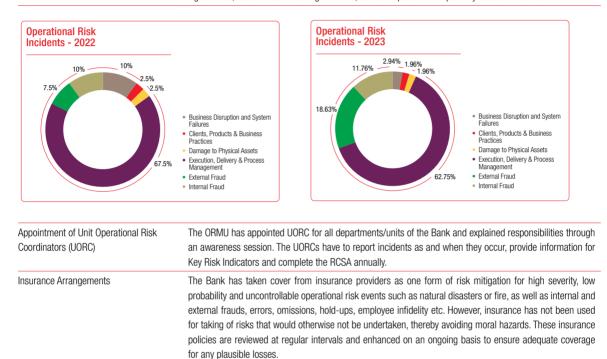
Technique

Collecting, Analysing and Reporting

Operational Risk Incidents

Management/Mitigation

Incident reporting is encouraged within the Bank and ORMU has developed internal guidelines on incident reporting which is made available on the Intranet for staff members. Furthermore, monthly reminders on reporting incidents are circulated among the Unit Operational Risk Coordinators (UORC) and branches. Regular trainings are conducted to UORCs and branch staff in order to enhance the awareness on incident reporting. All incidents reported by respective departments and branches are recorded in a database and a root-cause analysis is performed in order to provide recommendations to ensure non-recurrence of the same incidents in the future. Incidents reported are presented to EMORMC and BIRMC periodically to obtain further guidance/advise and to enforce implementation of further controls where necessary. As per CBSL guidelines. Joss events exceeding LKR 500.000 are reported on a guarterly basis to the CBSL.



Reviewing New Products/Services/ Processes	The Bank provides risk assurance for newly implemented products through the New Products and Services Policy. This procedure includes proactive risk identification, assessment and introduction of risk mitigation controls for inherent risks of new products, processes, systems and their amended versions as well as for projects that have a material impact on the Bank's operations.
Review of existing Products/Services/ Processes	ORMU carries out reviews of existing business Products/Services/Processes and recommends further improvements/controls where necessary to EMORMC and BIRMC for ratification/advise and implementation. This contributes towards closing possible gaps in the existing business processes and mitigate potential operational losses.
Reviewing information risk integrity and	The Bank is positioned to identify and respond to suspicious information flows and intruder attacks while

Reviewing information risk, integrity and The Bank is positioned to identify and respond to suspicious information flows and intruder attacks while availability observing system readiness through its information risk management practices which use tools and techniques such as firewall technologies, intruder detection and hacking prevention systems. The Bank has introduced a sound Data Leakage Prevention (DLP) solution, Data classification software, Security Information and Event Management (SIEM), Web Application Firewall system and Internal Firewall system. Data centre infrastructure was completely refurbished with modern physical security controls and a virtual patch management solution has been introduced for critical servers in the data centre.

Effectiveness Business Continuity Plan The BCP ensures the resilience to business disruption that may arise from internal or external events and (BCP) and Disaster Recovery (DR) focuses on reducing any adverse impact on human safety, business operations as well as profitability and reputation of the Bank. The Bank's well-established Disaster Recovery Site and separate Disaster Recovery Operating Centres (DROC) carry out DR drills for critical systems including the core banking system in order to verify the readiness of business continuity related issues. The relevant Executive Committees and regulators are updated on outcomes of the BCP and DR drills with the appropriate actions. Managing Outsourcing activities The Bank has developed and implemented a comprehensive policy on outsourcing in line with CBSL Direction

No. 02 of 2012. This covers all aspects of due diligence controls such as comprehensive assessment, complaint handling, service quality monitoring and review of information security and business continuity plans of service providers.

RISKS AND OPPORTUNITIES

OPERATIONAL RISK OUTLOOK FOR 2024

The Risk Management Unit is making arrangements to automate the incident reporting mechanism and Risk & Control Self Assessment (RCSA) exercise during the year 2024.

Information Security Management System

The well-established Information Security Management System (ISMS) based on the Baseline Security Standard provides a methodical approach to managing the Bank's information security risk. It ensures compliance with regulatory requirements and alignment with business objectives. Continuous Risk assessments are carried out to all critical information assets. Information Security Risk related KRIs are regularly monitored and reported. Continuous vulnerability assessments are conducted and comprehensive information security user awareness programmes and E-Certification are implemented The Bank is in the process of implementing the CBSL Direction No16 of 2021 on Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks within the timelines specified in the direction. Accordingly Technology Risk Management Unit was established in order to implement the provisions outlined in the direction with regard to Risk Management Unit.

Simultaneously, the Bank has appointed an Acting CISO, reporting to Director/CEO. Further a third party subject specialist is assisting the Bank in establishing all the requirements specified in the said CBSL guideline before the deadlines. The Bank has initiated action to obtain ISO 27001: Information security management systems (ISMS) and ISO 22301: Business Continuity Management (BCM) Certificates as required by the above mentioned Banking Act Direction.

Managing Capital Risk

Basel III minimum capital requirements and buffers

Every licensed bank needs to maintain, at all times, the minimum capital ratios prescribed in the table below and needs to ensure compliance with Schedule I of the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.

Components of Capital	Capital Adequacy Ratio to be maintained by Non-D-SIBs	Capital Adequacy Ratio to be maintained by D-SIBs
Common Equity Tier 1 including Capital Conservation Buffer	7.00%	7.00% + HLA
Total Tier 1 including Capital Conservation Buffer	8.50%	8.50% + HLA
Total Capital Ratio including Capital Conservation Buffer	12.50%	12.50% + HLA

Further, as per the CBSL letter dated 27 March, 2020 issued by the Governor on "Extraordinary Regulatory Measures taken by the Central Bank of Sri Lanka to provide flexibility to the Licensed Banks to support Businesses and Individuals affected by the outbreak of Corona Virus Disease (COVID-19), the Non- DSIBs were permitted to draw down their Capital Conservation Buffer by 50 basis points out of total 250 basis points.

However, the Bank acknowledges the challenges associated with increasing demand on capital as per the roadmap given by CBSL and is mindful about the contributory factors that require in recording a healthy CAR in the ensuing period.

The Internal Capital Adequacy Assessment Process (ICAAP) of the Bank is established based on the CBSL regulations in order to determine the level of capital to be maintained against all risks and to ensure that banks have adequate capital to support all risks. In order to assess the future capital requirements, the bank additionaly prepares the Capital Augmentation Plan by considering the budget and financial forecast.

The Bank has adopted the Standardised Approach (SA) for credit risk capital calculation under Pillar 1. By nature of Bank's operations the capital charge for the credit risk remains high.

The Bank has adopted the Standardised Measurement Approach (SMA) for calculation of the market risk capital charge. The capital charge for market risk continues to remain low, considering the limited market operations of the Bank and due to the exposure to interest rate risk, equity risk and foreign exchange risk to a lesser extent.

The Bank received the approval from Central Bank of Sri Lanka to move into Alternate Standardized Approach (ASA) for quantifying the capital charge under operational risk.

Under Pillar II, Credit concentration in the corporate loan portfolio has been analysed using the Normalised Herfindahl-Hirschman Index (HHI) method and an adjustment to the capital charge is administered in the light

of concentration of the Bank's business in large size borrowers.

The capital charge for interest rate risk in the banking book is calculated using the Economic Value of Equity (EVE) approach and the Earnings at Risk (EAR) approach.

Overall, the ALM process in the Bank is well- managed and monitored using various indicators of liquidity and interest rate risks.

For reputational and strategic risk, detailed scorecards have been developed and the scorecard results have been calibrated to the capital charge.

The Board and Senior Management critically review the strategic direction of the Bank at the time the Strategic Plan is prepared and approved. Risk management is an integral part of the strategic planning process.

Quantitative and Qualitative Disclosures

The Pillar III disclosures are published in line with disclosure dates that commensurate with the Financial Reporting disclosure timelines.

Key Regulatory Ratios - Capital and Liquidity

	Minimum Requirement	Reporting Period 31.12.2023	Previous Reporting Period 31.12.2022
Regulatory Capital (LKR'000)			-
Common Equity Tier 1 Capital		55,447,660	49,920,169
Tier 1 Capital		55,447,660	49,920,169
Total Capital		70,147,267	63,477,151
Regulatory Capital Ratios (%)			
Common Equity Tier 1 Capital Ratio	7.00%	12.52%	10.69%
Tier 1 Capital Ratio	8.50%	12.52%	10.69%
Fotal Capital Ratio	12.50%	15.84%	13.59%
everage Ratio	3.00%	7.30%	7.25%
let Ctable Funding Datio	2023-100%	129.67%	117.62%
Net Stable Funding Ratio	2022-90%		
Regulatory Liquidity			
Statutory Liquid Assets		235,624,142	149,336,157
Statutory Liquid Assets Overall			
Domestic Banking Unit (LKR 000)		233,637,929	144,094,083
Off-Shore Banking Unit (USD 000)		23,584	35,226
Statutory Liquid Assets Ratio			
Statutory Liquid Assets Overall	20.00%	38.04%	25.51%
Domestic Banking Unit	20.00%	38.51%	25.16%
Off-Shore Banking Unit	20.00%	23.28%	25.02%
iquidity Coverage Ratio - Rupee	2023-100%	355.16%	280.14%
	2022-90%		
iquidity Coverege Detie All Currency	2023-100%	338.42%	175.10%
iquidity Coverage Ratio - All Currency	2022-90%		

RISKS AND OPPORTUNITIES

Basel III Computation of Capital Ratios

	Amount (LKR'000)		
	Reporting Period 31.12.2023	Previous Reporting Period 31.12.2022	
Common Equity Tier I (CETI) Capital after Adjustments	55,447,660	49,920,169	
Common Equity Tier I (CET1) Capital	59,239,357	53,765,745	
Equity Capital (Stated Capital)/Assigned Capital	20,908,673	19,926,453	
Reserve Fund	2,880,973	2,568,162	
Published Retained Earnings/(Accumulated Retained Losses)	34,361,921	30,579,775	
Published Accumulated Other Comprehensive Income (OCI)	387,215	(9,220)	
General and Other Disclosed Reserves	700,575	700,575	
Total Adjustments to CET1 Capital	3,791,697	3,845,576	
Intangible Assets (Net)	536,989	510,146	
Others	3,254,708	3,335,430	
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	-	-	
nvestment in Own Shares	-	-	
Dthers	-	-	
Tier 2 Capital after Adjustments	14,699,607	13,556,982	
Fotal Tier 2 Capital	14,699,607	13,556,982	
Qualifying Tier 2 Capital Instruments	8,996,400	7,603,825	
Revaluation Gains	698,403	698,403	
Loan Loss Provisions (General Provision)	5,004,804	5,254,754	
nstruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	
Total Adjustments to Tier 2	-	-	
nvestment in Own Shares	-	-	
Others	-	-	
Fotal Tier 1 Capital	55,447,660	49,920,169	
Fotal Capital	70,147,267	63,477,151	
Fotal Risk Weighted Assets (RWA)	442,785,741	467,105,338	
RWAs for Credit Risk	400,384,298	420,380,297	
RWAs for Market Risk	4,033,608	4,116,017	
RWAs for Operational Risk	38,367,835	42,609,024	
CET1 Capital Ratio (including Capital Conservation Buffer, Counter Cyclical Capital Buffer & Surcharge on D-SIBs) (%)	12.52%	10.69%	
of which: Capital Conservation Buffer (%)	2.50%	2.50%	
Total Tier 1 Capital Ratio (%)	12.52%	10.69%	
Total Capital Ratio (including Capital Conservation Buffer, Counter Cyclical Capital Buffer & Surcharge on D-SIBs) (%)	15.84%	13.59%	
of which: Capital Conservation Buffer (%)	2.50%	2.50%	

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank Only

	as at 31 December 2023				Amount (LKR'000)		
	a b c		d	e			
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital		
Assets	717,985,435	717,985,435	721,389,372	28,966,507	5,816,712		
Cash and Cash Equivalents	48,851,143	48,851,143	48,851,143				
Balances with Central Bank	7,028,281	7,028,281	7,028,281				
Placements with Banks	22,064,672	22,064,672	22,064,672				
Derivative Financial Instruments	88,022	88,022	88,022				
Financial Assets recognised through Profit and Loss	27,753,867	27,753,867	27,753,867	27,753,867			
Securities Purchased under Resale Agreements	817,150	817,150	817,150				
Loans and Receivables - Banks	-	2,807,623	2,807,623				
Loans and Receivables - Other Customers *	437,532,470	434,724,847	441,837,579		2,107,922		
Financial Assets measured at Fair Value through Other Comprehensive Income	40,048,711	40,048,711	40,048,711	1,212,640			
Other Financial Investments at Amortized Cost	103,537,360	103,537,360	103,537,360				
Investments in Subsidiaries	1,153,602	1,153,602	1,153,602				
Property, Plant and Equipment	3,874,650	3,874,650	3,874,650				
Goodwill and Intangible Assets	536,989	536,989			536,989		
Deferred Tax Assets	3,171,806	3,171,806			3,171,806		
Other Assets	21,526,712	21,526,712	21,526,712				
Liabilities	657,478,854	657,478,854	-	-	-		
Due to Banks	12,096,756	12,096,756					
Derivative Financial Instruments	32,269	32,269					
Due to Other Customers	590,698,330	590,698,330					
Other Borrowings	16,151	16,151					
Debt Securities Issued	6,862,998	6,862,998					
Current Tax Liabilities	2,688,253	2,688,253					
Other Liabilities	25,000,573	25,000,573					
Due to Subsidiaries	115,823	115,823					
Subordinated Term Debts	19,967,701	19,967,701					
Off-Balance Sheet Liabilities	184,715,853	184,715,853	-	-	-		
Guarantees	55,805,472	55,805,472					
Letters of Credit	7,245,749	7,245,749					
Foreign Exchange Contracts	18,928,740	18,928,740					
Other Contingent Items	13,010,975	13,010,975					
Undrawn Loan Commitments	89,057,981	89,057,981					
Other Commitments	666,936	666,936					
Shareholders' Equity							
Equity Capital (Stated Capital)/Assigned Capital							
of which Amount Eligible for CET1	20,908,673	20,908,673					
Retained Earnings	34,846,141	34,846,141					
Accumulated Other Comprehensive Income	(203,999)	(203,999)					
Other Reserves Total Shareholders' Equity	4,955,766 60,506,581	4,955,766 60,506,581		-	-		

* Loans and Receivables to Other Customers in subject to Credit Risk Framework (C) is reported as the gross of Stage 1 and 2 ECL Provision (LKR 7.1 Bn) and of which LKR 2.1 Bn excluded from Tier II Capital.

RISKS AND OPPORTUNITIES

The following regulatory risk measurement approaches are applied for purposes of capital adequacy:

- 1. Credit risk: The Standardised Approach (SA)
- 2. Operational risk: The alternative Standardised Approach (ASA)
- 3. Market risk: The Standardised Measurement Approach (SMA)

Credit Risk under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

			as at 31 December 2023			Amount (LKR'000)	
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM			RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	Total	RWA	RWA Density (ii)
Claims on Central Government and CBSL	166,960,429	-	166,960,429	-	166,960,429	1,161,112	0.70%
Claims on Foreign Sovereigns and their Central Banks	9,670,956	-	9,670,956	-	9,670,956	-	0.00%
Claims on Public Sector Entities	3,391,648	-	3,391,648	-	3,391,648	3,391,648	100.00%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-
Claims on Banks Exposures	61,437,644	-	61,437,644	-	61,437,644	22,993,229	37.43%
Claims on Financial Institutions	14,816,411	3,775,000	14,816,411	755,000	15,571,411	7,844,760	50.38%
Claims on Corporates	212,715,460	156,335,428	202,038,012	29,210,457	231,248,468	220,407,921	95.31%
Retail Claims	171,225,860	14,829,659	137,065,335	6,666,339	143,731,674	84,041,880	58.47%
Claims Secured by Residential Property	17,130,821	-	17,130,821	-	17,130,821	7,581,556	44.26%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	0.00%
Non-Performing Assets (NPAs) (i)	22,550,005		22,550,005	-	22,550,005	23,770,605	105.41%
Higher-Risk Categories	-	-	-	-	-	-	-
Cash Items and Other Assets	41,490,138	-	41,490,138	-	41,490,138	29,191,587	70.36%
Total	721,389,372	174,940,087	676,551,399	36,631,796	713,183,194	400,384,298	56.14%

(i) As per applicable CBSL Directions

(ii) RWA Density- Total RWA/Exposures post CCF and CRM

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Risk Weight		as at 31 December 2023 (Post CCF& CRM)				Amount (LKR'000)			
Asset Classes	0%	20%	35%	50%	60%	75%	100%	150%	Credit Exposures >150% Amount
Claims on Central Government and CBSL	161,154,868	5,805,561	-	-	-	Ē	-		166,960,429
Claims on Foreign Sovereigns and their Central Banks	9,670,956								9,670,956
Claims on Public Sector Entities							3,391,648		3,391,648
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		37,422,675		17,097,299			6,832,921	84,749	61,437,644
Claims on Financial Institutions				15,453,301			118,110		15,571,411
Claims on Corporates		3,292,922		16,486,290			211,395,390	73,866	231,248,468
Retail Claims					10,847,083	94,379,760	5,473,435		110,700,278
Claims Secured by Gold	26,654,522	6,376,874							33,031,396
Claims Secured by Residential Property			14,691,176				2,439,645		17,130,821
Non-Performing Assets				566,998			18,974,808	3,008,199	22,550,005
Higher-Risk Categories									-
Cash Items and Other Assets	12,298,551						29,191,587		41,490,138
Total	209,778,897	52,898,032	14,691,176	49,603,888	10,847,083	94,379,760	277,817,544	3,166,814	713,183,194

Operational Risk Under The Alternative Standardized Approach

Business Lines				as at 31 December 2023 Gross Income (LKR'000)			
	Capital Charge Factor	Fixed Factor		1st Year	2nd Year	3rd Year	
Trading and Sales	18%			294,847	2,012,892	6,194,145	
Payment and Settlement	18%			6,125,274	8,166,981	8,947,338	
Retail Banking	12%	0.035	238,252,422				
Commercial Banking	15%	0.035	360,158,193				
Capital Charges for Operational Risk (LKR '000)	4,795,979						
Risk-Weighted Amount for operational Risk (LKR '000)	38,367,835						

Market Risk

Market Risk under Standardized Measurement Method

	RWA Amount (LKR'000) as at 31st December 2023
Capital Charge for Market Risk	504,201
(a) Capital Charge Interest Rate Risk	119,861
General Interest Rate Risk	119,861
(i) Net Long or Short Position	119,861
(b) Capital Charge for Equity	312,023
(i) General Equity Risk	158,327
(ii) Specific Equity Risk	153,696
(c) Capital Charge for Foreign Exchange & Gold	72,317
Total Risk Weighted Assets on Market Risk [(a)+(b)+(c)]*CAR	4,033,608

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RISKS AND OPPORTUNITIES

Computation of Leverage Ratio

	Reporting Period 31.12.2023	Previous Reporting Period 31.12.2022
Tier 1 Capital	55,447,660	49,920,169
Total Exposures	759,275,565	688,763,290
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	721,389,372	641,140,258
Derivative Exposures	437,246	1,282,614
Securities Financing Transaction Exposures	817,150	3,628,549
Other Off-Balance Sheet Exposures	36,631,796	42,711,868
Basel III Leverage Ratio (%) (Tier 1/Total Exposure) (Minimum Requirement-3%)	7.30%	7.25%

Computation of Liquidity Coverage Ratio (LCR)

The objective of the Liquidity Coverage Ratio (LCR) is to promote the short term resilience of the liquidity risk profile of banks by ensuring that sufficient high quality liquid assets are available to survive a significant stress scenario lasting 30 calendar days.

						Amount (LKR '000)
	Repo	rting Period - 31.1	2.2023	Previous Reporting Period - 31.12.2022		
	Total Un- weighted Value	Factor (%)	Total Weighted Value	Total Un- weighted Value	Factor (%)	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)		-	174,012,142			110,443,939
Total Adjusted Level 1A Assets	161,568,029	100%	161,568,029	104,920,453	100%	104,920,453
Total Adjusted Level 2A Assets	14,329,118	85%	12,179,752	6,255,243	85%	5,316,957
Total Adjusted Level 2B Assets	168,362	50%	84,181	147,379	50%	73,689
Total Cash Outflows			124,505,114			113,258,279
Deposits	438,412,337	10%	43,841,234	413,448,212	10%	41,344,821
Unsecured Wholesale Funding	132,933,478	25% -100%	62,661,680	117,367,882	25% -100%	60,199,428
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	160,329,986	0% -100%	9,885,507	162,286,926	0% -100%	7,767,676
Additional Requirements	8,116,694	100%	8,116,694	3,946,354	100%	3,946,354
Total Cash Inflows			73,086,374			50,182,738
Other Inflows by Counterparty which are Maturing within 30 Days	112,842,328	50%-100%	72,109,665	92,421,761	50%-100%	48,772,625
Operational Deposits	36,032,439	0%	-	28,939,964	0%	-
Other Cash Inflows	1,879,815	50% -100%	976,709	2,312,148	50% -100%	1,410,113
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days)*100 -(Minimum Requirement 2023 -100% / 2022 - 90%)			338.42			175.10

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Ordinary Voting Shares	Ordinary Non- Voting Shares	Debenture Isssue - 2018 (7 years & 10 years)	Debenture Isssue - 2019 (5 years)	Debenture Isssue - 2021 (5 years)	Debenture Isssue - 2023 (5 years)
lssuer	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC
Unique Identifier (e., ISIN or Bloombers Identifier for Private Placement)	LK0182N00002	LK0182X00001	LK0182D23963	LK0182D24219	LK0182D24722	LK0182D25133
			LK0182D23971	LK0182D24227	LK0182D24730	LK0182D25125
Governing Law (s) of the Instrument	Provisions of the Banking Act, Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sn Lanka, Provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Bank	Provisions of the Banking Act, Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Bank	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed
Original Date of Issuance	April 1988	September 2003	29th March 2018	18th April 2019	12th April 2021	02nd May 2023
Par Value of Instrument	N/A	N/A	LKR 100/- each	LKR 100/- each	LKR 100/- each	LKR 100/- each
Prepetual or Dated	N/A	N/A	dated	dated	dated	dated
Driginal Maturity Date, If Applicable	N/A	N/A	29th March 2025 and 29th March 2028	18th April 2024	12th April 2026	02nd May 2028
Amount Recognized in Regulatory Capital (in '000 as at the Reporting Date)	12,794,664	8,114,009	1,546,400	250,000	2,700,000	4,500,000
Accounting Classification (Equity /Liability)	Equity	Equity	Liability	Liability	Liability	Liability
ssuer call subject to prior Supervisory Approval						
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR 000)	N/A	N/A	N/A	N/A	N/A	N/A
Subsequent Call Dates, If Applicable	N/A	N/A	N/A	N/A	N/A	N/A
Coupons/Dividends						
Fixed or Floating Dividend / Coupon	Dividend as decided by the Board annually	Dividend as decided by the Board annually	Fixed interest rate	Fixed interest rate	Fixed interest rate	Fixed interest rate
Coupon Rate and any Related Index	As decided by the Board	As decided by the Board	Semi-Annual Interest - 13.20% (for 7 years), Semi-Annual Interest - 13.50% p.a. (for 10 years)	Semi-Annual Interest - 14.5% p.a., Annual Interest - 15.0% p.a.	Annual Interest - 9.75% p.a., Quarterly Interest - 9.25% p.a.	Annual Interest - 28.00% p.a., Quarterly Interest - 25.00% p.a.
Non-Cumulative or Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or Non- Convertible	Non-Convertible	Non-Convertible	Convertible	Convertible	Convertible	Convertible
f Convertible, Conversion Trigger (s)			Convertible in the event of a 'Trigger Event" in terms of the Banking Act Direction No.1 of 2016	Convertible in the event of a "Trigger Event" in terms of the Banking Act Direction No.1 of 2016	Convertible in the event of a 'Trigger Event" in terms of the Banking Act Direction No.1 of 2016	Convertible in the event of a "Trigger Event" in terms of the Banking Act Direction No.1 of 2016
f Convertible, Fully or Partially			when determined a 'Trigger Event' at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka	when determined a 'Trigger Event' at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka	when determined a 'Trigger Event' at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka	when determined a 'Trigger Event' at the sole discretion of the Monetar Board of the Central Bank of Sri Lanka
f Convertible, Mandatory or Optional			Mandatory in the event of a 'Trigger Event'	Mandatory in the event of a 'Trigger Event'	Mandatory in the event of a 'Trigger Event'	Mandatory in the event of a 'Trigger Event'
f Convertible, Conversion Rate			Simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank (as published by the Colombo Stock Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.	Simple average of the daily Volume Weighted Average Price of an Ordinary Volung Share of the Bank (as published by the Colombo Stock Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.	Simple average of the daily Volume Weighted Average Price of an Ordinary Volung Share of the Bank (as published by the Colombo Stock Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.	Simple average of the daily Volume Weighted Average Price of an Ordinary Voluting Share of the Bank (as published by the Colombo Stock Exchange) during the Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.

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RISKS AND OPPORTUNITIES

Managing other Risks

Legal Risk

Legal risk is the risk of financial or reputational loss that could arise from failure to comply with statutory and regulatory requirements, internal policies, prescribed best practices, lack of awareness, uncertainty of the outcome of all litigation and probable adverse consequences resulting from deficient documentation.

The Bank manages these legal risks effectively having proper monitoring and controls in all business and supporting areas. Further, through the Legal Department all contracts and security documentation are legally vetted taking into consideration the applicable laws and regulations. Interpretation of provisions of statutes that may be applicable is referred to the Legal Department by the business lines, thus minimising the risk of non-compliance with laws and regulations.

Compliance Risk

The Compliance Department is entrusted with the responsibility of safeguarding the Bank from potential losses, financial or otherwise, that may arise due to the Bank's failure to comply with laws, regulations, rules, or self-regulated organisational standards applicable to the Bank's operations. Accordingly, the key focus areas of the compliance function are:

- Legal and Regulatory Compliance
- Anti-Money Laundering/ Financial Crime Compliance
- Corporate Governance

The Compliance Department functions as a key working committee focusing and ensuring long-term success and sustainability of the Bank via an improved compliance culture.

The Compliance Department closely liaises with the BIRMC, its direct reporting line, while performing its responsibilities. Periodic communication to the Board of Directors is also undertaken for necessary updates and obtaining additional advice.

The Bank's corporate culture and ethics related matters are specifically dealt by two dedicated Board sub-committees:

 Board Governance and Compliance Committee Related Party Transactions Review Committee

Strategic Risk

Strategic risk is the possibility of current and prospective impact on earnings or capital arising from adverse strategic decisions, improper and incomplete implementation of strategic initiatives or lack of agility to the changes in the external environment.

The Corporate Management and the Board of Directors are responsible for leading the Bank on the right strategic direction while selecting the most suitable strategic choices, aligned to the Bank's vision and mission. Minimising the adverse impact arising from making the specious strategic directions and strategic choices is an integral part of the Strategic Risk Management of the Bank.

In pursuing the Bank's strategic goals and business objectives, the Bank has established a solid governance structure to ensure the effectiveness of the strategies subsequent to implementation. KPI's are developed to measure the effectiveness and efficiency of strategic initiatives. The Bank has established clear communication channels at all levels of the organisation, allocated systems for efficient operations of business lines / banking activities and enhanced employee capabilities through training and development and recognition programmes to ensure better accountability in achieving strategic objectives.

Reputational Risk

Reputational risk arises from the loss caused by adverse perception of Seylan Bank PLC by the public, shareholders, investors, customers, regulators and other internal and external stakeholders, which can adversely impact earnings, value of assets and liabilities, capital position and the brand value.

As risk mitigating actions, the Bank has established sound policies and procedures such as customer complaint management, whistle- blowing policy to maintain the goodwill in a positive manner.

The Bank has established a well- structured customer complaint management process to provide solutions to customers on a 24x7 basis.

The Bank also recognises the importance of making a positive contribution to the society by promoting Corporate Social Responsibility (CSR) through ethical banking practices, environmental awareness and contribution to the community. Accordingly, the Bank has in place a Board Sustainability Committee which guides and monitors the progress of CSR contribution and its effectiveness.

Environmental and Social Risk (E & S Risk)

E & S Risks entail as a result of unmanaged E & S Risks if any prevalent in the corporate and SME entities or bodies to which the Bank has availed finance without carrying out proper environmental and social impact assessment and exercising appropriate E & S due diligence whereby such E & S risks may trigger impact to the bank by way of credit, collateral, reputational, legal and other related risks which can adversely impact earnings, quality of assets, capital position and brand equity. The Bank has developed an ESMS Policy and Procedures together with checklists amalgamated with the Credit Policy and other relevant policies of the Bank in line with the lending guidelines all of which are reviewed from time-to time as means of ensuring transparency, compliance and Environmental and Social Governance frameworks.

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors of Seylan Bank PLC ('the Board' or 'the Directors') presents its Report on the State of Affairs of Seylan Bank PLC ('the Bank' or 'the Company') together with the audited financial statements of the Bank, the consolidated financial statements of the Group and the Auditors' Report on those financial statements for the financial year ended 31 December 2023. This Report hereinafter will also be referred to as 'the Report' or 'Report of the Directors' or 'Report of the Board of Directors'.

This Report together with the Financial Statements (as aforementioned) which are published in the Annual Report of the Bank for the year ended 31 December 2023 (hereinafter referred to as 'the Annual Report') were reviewed and approved by the Board of Directors on 20 February 2024. A softcopy of this Annual Report of the Bank will be hosted/published on the website of the Bank, www.seylan.lk and also on the website of the Colombo Stock Exchange ('CSE'), www.cse.lk.

The disclosures in this Report conform to the requirements of the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 (as amended), the Directions issued by the Monetary Board under the Banking Act, the Listing Rules of the CSE and the recommended best practices on Corporate Governance.

In compliance with the requirements under Section 168 of the Companies Act No. 07 of 2007, information and disclosures in respect of the financial year ended 31 December 2023 have been published on the pages/sections of this Report and/or the pages/ sections of the Annual Report where relevant.

1. ABOUT THE BANK/THE COMPANY

Seylan Bank PLC is a public limited liability company incorporated in Sri Lanka on 28 August 1987 under the Companies Act No.17 of 1982 and is a licensed commercial bank registered and operating under the Banking Act No. 30 of 1988 (as amended). The Company was re-registered under the provisions of the Companies Act No. 07 of 2007 on 30 May 2007 (Company Registration No. PQ 9). The Registered Office and the Head Office of the Bank is situated at "Seylan Towers", No. 90, Galle Road, Colombo 03. The Bank was listed on the CSE on 05 January 1989. The Bank's ordinary shares (both voting and non-voting) and its Unsecured, Subordinated, Redeemable Debentures issued in the years 2018, 2019, 2021 and 2023 were listed in the CSE.

Fitch downgraded the Bank's National Long-Term Rating on 12 January 2023 to A-(lka), from A(lka), following the national scale recalibration and maintained the rating on RWN (Rating Watch Negative). Later in October 2023, Fitch has affirmed the National Long-Term Ratings of the Bank and removed RWN and assigned Stable Outlook. The rating of the outstanding Sri Lankan Rupee denominated Basel III Subordinated Debt of the Bank is BBB(lka).

2. PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and provision of related financial services, which mainly include acceptance of deposits, personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, corporate and retail credit, margin trading, pawn broking, project financing, lease financing, credit card facilities, money remittance services, factoring, dealing in government securities and treasury related products, etc.

There were no significant changes in the nature of the principal activities of the Bank and its subsidiary during the financial year under review.

3. VISION AND MISSION AND CORPORATE CONDUCT

3.1 Vision and Mission

Vision:

"To be Sri Lanka's leading financial services provider – as recognized by all its stakeholders."

Mission:

- We provide our Customers with financial services that meet their needs in terms of value, pricing, delivery and service.
- We will do so through a team of Seylan Bankers who are recognized and rewarded for results orientation.
- We will ensure that our efforts translate to meeting the expectations

of our shareholders, whilst always acting as responsible corporate citizens.

3.2 Corporate Conduct

The Bank conducts its business activities at a high level of ethical standard in achieving its vision and mission. The Board of Directors of the Bank as well as its employees have pledged to abide by and comply with the Codes of Conduct and Ethics of the Bank.

4. GROUP STRUCTURE

The only subsidiary of the Bank is Seylan Developments PLC ('SDP'). SDP is a public limited liability company incorporated in 1992 and listed on the CSE. The principal activities of SDP are property development and management. The Bank held a 70.51% stake in SDP as at 31 December 2023. Please refer Section 29 of this Report for information on the Board of Directors of SDP.

The Bank received a dividend of LKR 125,198,534.40 paid by the subsidiary during the year under review.

5. BRANCH NETWORK

As at 31 December 2023, the Bank's branch network comprised 171 banking centres and 100 Student Savings Centres, island-wide. Locations and details of the banking centres as at the date of this Report as well as locations of off-site ATMs are given in the Annual Report.

6. REVIEW OF PERFORMANCE IN 2023 AND FUTURE DEVELOPMENT PLANS

The Chairman's Message, the Chief Executive Officer's Review and the reports that are published in this Annual Report provide an overall assessment and review of the operations and financial performance of the Bank during the year 2023 aligned to the information in the audited financial statements of the Bank for the year ended 31 December 2023. They also about the Bank's future development plans. Such development proposals have been laid out in the Bank's Strategic Plan for 2021 to 2023, which was later extended up to 2024 and approved by the Board. Implementation of the Strategic Plan was being monitored by the Board Strategic Plan Committee.

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

7. FINANCIAL STATEMENTS AND FINANCIAL REPORTING

The Financial Statements of the Bank and the Group have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS) and the Sri Lanka Financial Reporting Standards (SLFRS). The necessary quantifications and disclosures have also been made based on LKAS/ SLFRS. The Financial Statements which are published in the Annual Report are followed by the related notes to the Financial Statements and Significant Accounting Policies adopted in the preparation of the **Financial Statements**

The Audited Financial Statements for the vear ended 31 December 2023 were certified by the Chief Financial Officer and the Director/Chief Executive Officer and signed by two Directors in terms of Section 151, 152 and 168(1)(b) of the Companies

Act No. 07 of 2007 ('Companies Act'). They are published in this Annual Report and form an integral part of this Report. Some of the salient financial information have been disclosed under the relevant headings in this Report.

8. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Bank to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements and the Notes thereto have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act No. 30 of 1988 (as amended) and relevant directions and determinations thereof and the Listing Rules of the CSE.

The Statement of Directors' Responsibility for Financial Reporting which appears in the Annual Report forms an integral part of this Report of the Directors.

9. AUDITORS' REPORT

The Auditors of the Company, M/s KPMG, Chartered Accountants carried out the audit of the consolidated financial statements for the financial year ended 31 December 2023 and the Auditors' Report is published in the Annual Report.

10. FINANCIAL RESULTS

The income and profit of the Bank and those of the Group for the year ended 31 December 2023 are given in the table below. An analysis of the income is given in the Notes to the Financial Statements published in the Annual Report:

2022

	Bank LKR' 000	Group LKR' 000	Bank LKR' 000	Group LKR' 000
Gross Income	116,773,303	116,835,833	96,817,975	96,834,024
Operating Income	49,477,021	49,845,047	51,056,208	51,378,952
Profit before Income Tax	10,080,086	10,269,451	6,628,860	6,796,658
Less : Income Tax	3,823,872	3,868,829	1,916,597	2,218,888
Profit after Income Tax	6,256,214	6,400,622	4,712,263	4,577,770
Other Comprehensive Income net of Tax	(26,598)	56,454	(2,724,398)	(2,746,463)
Total Comprehensive Income for the year	6,229,616	6,457,076	1,987,865	1,831,307

2023

11. TAXATION

Provision for taxation has been computed as indicated in Note 16 to the Financial Statements.

12. CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of Property, Plant and Equipment of the Bank and the Group is given below and further described in Notes 30 and 33 to the Financial Statements.

	Bank		Group		
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	
Property, Plant and Equipment and Intangible Assets	966,121	295,579	969,165	299,762	
Net book value of freehold properties	2,213,635	2,233,294	4,927,146	4,864,651	

All freehold land and buildings of the Bank were valued in 2021 by professionally qualified independent valuers (Chartered Valuers/Licensed Surveyors) engaged by the Bank to its Panel of Valuers and brought into the financial statements. Details of freehold properties owned by the Bank are given in Note 30.4 to the Financial Statements.

Capital Expenditure approved and contracted for after the year ended 31 December 2023 is given in Note 50 to the Financial Statements.

13. DONATIONS

During the year, the Bank made donations amounting to LKR 5,560,000.00 (Donations made in 2022 amounted to LKR 573,800.00).

14. DIVIDEND AND SOLVENCY **CERTIFICATION**

The Directors have recommended a First and Final Ordinary Dividend of LKR 2.50 per share (both ordinary voting and ordinary non-voting) for the year ended 31 December 2023. The dividend of LKR 2.50 per share

will consist of LKR 1.00 per share in the form of cash dividend and LKR 1.50 per share in the form of a Scrip dividend. This recommendation is subject to the approval of the shareholders at the Annual General Meeting of the Bank scheduled to be held on 28 March 2024. Please refer the 'Circular to Shareholders' for further details.

The Board of Directors was satisfied that the Bank would meet the solvency test in terms of the provisions of Section 57 of

the Companies Act No. 07 of 2007 immediately after the payment of the proposed dividend. A Certificate of Solvency was also obtained by the Bank from the External Auditors in compliance with Section 56(2) of the Companies Act, confirming the Board's declaration of solvency.

The Bank paid a first and final ordinary dividend of LKR 2.00 per share in the form of a scrip dividend in respect of the financial year ended 31 December 2022.

15. RESERVES

Total reserves (including Statutory Reserve Fund) as at the end of the financial year of the Bank and the Group, were as follows:

Ba	nk	Gro	pup
2023 LKR '000	2022 LKR '000	2023 LKR'000	2022 LKR'000
39,597,908	34,523,845	41,473,133	36,275,608

16. STATED CAPITAL

The Stated Capital of the Bank as at 31 December 2023 was LKR 20,908,672,750.61 (Stated Capital as at 31 December 2022 was LKR 19,926,453,430.01).

The number of shares issued by the Bank during the year increased due to the issue of scrip dividends (which resulted in the increase in the Stated Capital) were as follows:

As at 31 December	2023	2022	2023	2022
Class of Shares	Number	of Shares	Number of Sh	nareholders
Ordinary voting shares	296,716,366	282,704,760	10,175	10,078
Ordinary non-voting shares	318,732,692	295,071,313	7,131	7,309

17. INVESTOR INFORMATION

Information including earnings, profitability, dividend, net assets and market value per share is given in the Financial Highlights page in the Annual Report. Information pertaining to share prices and debenture prices is given on pages 276 to 279 in the Annual Report.

17.1 Minimum Public Holding Requirement (Voting & Non-Voting)

The Bank was compliant with Section 7.13.1 of the Listing Rules of the CSE in respect of the above as at 31 December 2023 as described below.

Criteria	31 Decem	nber 2023
	Voting	Non-Voting
Float adjusted market capitalization	LKR 7,147 Million	LKR 5,370 Million
Public Holding Percentage	54.87%	47.46%
Number of public shareholders	10,154	7,125
Option	3	3

17.2 Analysis of the Shareholding Distribution and Major Shareholders

An analysis of the distribution of shareholdings and lists of twenty largest ordinary voting and ordinary non-voting shareholders of the Bank as per the requirement of the Listing Rules of the CSE have been published under Investor Information section of this Annual Report.

18. DEBENTURES

18.1 Debentures in Issue

Value of Debentures as at 01 January 2023	LKR 20,506,280,000.00
Allotment of new Debentures during 2023	LKR 5,000,000,000.00
Redemption of Debentures during 2023	LKR 7,182,280,000.00
Total value of Debentures as at 31 December 2023	LKR 18,324,000,000.00

Further information on the debentures issued are provided under Investor Information section of this Annual Report.

18.2 Debenture Issue in 2023

The Board of Directors of the Bank declared the issuance of a maximum of One Hundred and Twenty Million (120,000,000) BASEL III compliant, Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion of Rupees One Hundred (LKR 100.00) each, to raise a maximum sum of Rupees Twelve Billion (LKR 12,000,000,000.00) in one or more issuances until 31 December 2023 and obtained the approval of the Shareholders therefore at an Extraordinary General Meeting held on 14 March 2023.

Based on approvals received, Fifty Million (50,000,000) BASEL III compliant, Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion of Rupees One Hundred (LKR 100.00) each, were allotted to Qualified Investors on 02 May 2023, following the basis of Preferential Allotments, maximum up to 75% of said Fifty Million (50,000,000) Debentures in accordance with the provisions of the Prospectus issued. Said Debentures were listed on 12 May 2023.

19. EQUITABLE TREATMENT OF SHAREHOLDERS AND EFFECTIVE SHAREHOLDER COMMUNICATION

The Bank has at all times ensured that shareholders are treated equitably. The general meetings of the Bank are the main forums adopted by the Board as well as the shareholders of the Bank for an effective dialogue with one another while other channels of communication were also being used to ensure that shareholders and all interested parties have equal access to corporate information in the public domain. Shareholder Communication Policy as adopted by the Board is published on its corporate website, the objective of which is to enhance long term shareholder value through regular communication with shareholders.

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

20. DIRECTORATE

20.1 Directors who held office as at 31 December 2023

Name of Director	Status of Directorship
Mr W M R S Dias	Non-Executive Director/Chairman
Mr Ramesh	Director/Chief
Jayasekara	Executive Officer
Mr S Viran Corea	Non-Executive Director
Ms Sandya K Salgado	Independent, Non- Executive Director/ Senior Director ('Senior Independent Director')
Mr D M D Krishan	Non-Executive
Thilakaratne	Director
Mr D M Rupasinghe	Independent, Non- Executive Director
Mr L H A Lakshman	Independent, Non-
Silva	Executive Director
Ms V G S Sunjeevani	Non-Executive
Kotakadeniya	Director
Ms Averil A	Independent, Non-
Ludowyke	Executive Director

The profiles of the Board of Directors as at the date of this Report including their membership/s in Board Subcommittees are given on pages 80 to 83 of the Annual Report.

None of the Directors on the Board exceeded 70 years of age, during the period under review and until this report is published.

20.2 Change of Directorate

- Retirement of Mr Kapila Ariyaratne, former Director/Chief Executive Officer on 30 April 2023.
- Appointment of Mr Ramesh Jayasekara as the Director/Chief Executive Officer w.e.f. 01 May 2023. Mr Ramesh Jayasekara is a Non-Independent/Executive Director on the Board.
- Resignation of Independent, Non-Executive Director/ Senior Director, Mr
 A S Wijesinha from the Board w.e.f
 21 September 2023.
- Demise of Mr D R Abeysuriya, Independent, Non-Executive Director on 25 October 2023.
- Appointment of Ms Sandya K Salgado,

Independent, Non-Executive Director as the Senior Independent Director w.e.f. 06 November 2023.

20.3 Declarations by Directors – Independent/Non-independent Status and Declaration of Relevant Relationships

All Independent Directors have submitted signed declarations confirming their independent status in compliance with Rule 9.8.5 (a) of the CSE Rules on Corporate Governance (revised in October 2023). All Non-Executive Directors have submitted their declarations in terms of Section 3(2) (iv) of the Banking Act Direction No.11 of 2007. Director/CEO submitted declaration in terms of Section 3(5)(iii) of the Banking Act Direction No. 11 of 2007.

20.4 Declarations by Directors – 'Fit and Proper' Status of Continuing Directors

Signed Affidavits in terms of Section 42 of the Banking Act (as amended) issued by the Directors declaring their 'fit and proper' status, prior to the Annual General Meeting held in 2023 were submitted to the Director, Bank Supervision, Central Bank of Sri Lanka. The Central Bank approved the continuation of office of those Directors.

Affidavits in terms of applicable Guidelines issued by the Securities and Exchange Commission of Sri Lanka on Fitness and Propriety, are obtained from the Directors, as and when required.

In addition, declarations in relation to the assessment of fitness and propriety of Directors as set out under Section 9.7.4 of the Listing Rules of the CSE (revised) were obtained from all Directors and having reviewed the same the Board noted that those Directors were fit and proper persons to hold said positions.

20.5 List of Directorships of the Directors in other Entities

Directorships held by the Directors in other entities and their substantial/material shareholdings if any, as at 31 December 2023 are provided in the Annexure that follows this Report of the Directors. The list has also identified the status of directorships (Executive/Non-Executive/Independent status) and the status where an entity is a listed entity.

20.6 Board Evaluation

A performance evaluation designed to improve the Board's effectiveness and that of its Committees was conducted in line with good Corporate Governance practices during the year. As a progressive governance step, Evaluation of Performance of the Chairman of the Board, was initiated.

Further, each member of the Board carried out a self-assessment of his/her own effectiveness and the effectiveness as a team member of the Board.

21. RE-ELECTION/ELECTION OF DIRECTORS

In terms of Article 82 of the Articles of Association, Non-Executive Director, Mr D M D Krishan Thilakaratne and Independent Non-Executive Director/Senior Independent Director, Ms Sandya K Salgado retire by rotation at the forthcoming Annual General Meeting ('AGM') of the Bank and offer themselves for re-election. The Board Nomination Committee and the Board having evaluated and satisfied that said Directors were fit and proper persons for reelection, recommended the said re-election for shareholder approval.

22. MEETINGS OF THE BOARD OF DIRECTORS

Twelve regular monthly meetings and four special meetings of the Board of Directors were held during the year. The special meetings were held primarily to review and approve quarterly financial statements of the Bank before the release of the same to the CSE and the public, in addition to any important and urgent issues that were dealt thereat, which included the appointment of Senior Independent Director of the Bank.

A schedule of Directors' attendance at Board meetings and a schedule of Directors' attendance at Board Subcommittee meetings have been disclosed in the Corporate Governance Report published in this Annual Report.

23. DIRECTORS' INTEREST IN CONTRACTS AND DIRECTORS' INTEREST REGISTER

The Bank maintains a Directors' Interest Register as required under Section 168(1)(e) of the Companies Act No. 07 of 2007. 151

The Directors submitted their declarations to the Board through the Company Secretary disclosing their interests from time to time in accordance with Section 192(2) of the Companies Act No. 07 of 2007 for purposes of identification of their interest in contracts/ transactions that the Bank enters into. Such disclosures are reported to the Board and minuted by the Company Secretary and thereafter recorded in the Directors' Interest Register. The Directors' Interest Register is available for inspection by the shareholders or their authorized representatives as required under Section 119(1) (d) of the Companies Act No.07 of 2007.

Where relevant, in Board and Board Subcommittee meetings which dealt with matters concerning related party interest or directorship interest, respective Directors abstained and did not vote on such matters.

The Bank maintained a Register of Directors and Secretaries as required under Section 223(1) of the Companies Act during the period of review.

24. DIRECTORS' INTEREST IN SHARES AND DEBENTURES OF THE BANK

Directors' holdings in Shares and Debentures of the Bank as at 31 December 2023 and the comparative figures of the previous year are given below:

Name of Director	31.12.2023	31.12.2022	Shares /Debentures
Mr W M R S Dias	Nil 100,000	50,000 100,000	Debenture Issue 2018 Debenture Issue 2021
Mr Ramesh Jayasekara	708 33,931	*N/A *N/A	Ordinary Voting shares Ordinary Non-voting shares
Mr S Viran Corea	113	108	Ordinary Voting Shares
Ms Sandya K Salgado	Nil	Nil	
Mr D M D Krishan Thilakaratne	Nil	Nil	
Mr D M Rupasinghe	Nil	Nil	
Mr L H A Lakshman Silva	50,000	50,000	Debenture Issue 2021
Ms V G S Sunjeevani Kotakadeniya	Nil	Nil	
Ms Averil A Ludowyke	Nil	Nil	

*Was not a Board Member as at 31 December 2022

Percentage Shareholdings of Directors:

Type of shares	% as at 31.12.2023	% as at 31.12.2022
Ordinary voting shares	0.0002%	0.025%
Ordinary non-voting shares	0.0106%	0.08%

There were no changes to the above information on Directors' interest in Shares and Debentures from 01 January 2024 and until the date of this Report of the Board of Directors.

25. DIRECTORS' REMUNERATION

Details of Directors' emoluments paid in respect of the Bank and the Group for the year 2023 are given as a note to the Financial Statements in the Annual Report.

26. INSURANCE AND INDEMNITY

As authorized by the Articles of Association of the Bank and as approved by the Board of Directors, the Bank obtained a Directors and Officers Liability Insurance Cover in respect of the year 2023/2024.

27. BOARD SUBCOMMITTEES

The Board is empowered by the Articles of Association to delegate any of its powers to the Board appointed Subcommittees within the scope of the respective Board approved Terms of Reference. The Subcommittees consist of members appointed as the Board thinks fit subject to meeting the criteria specified in the respective Terms of Reference. The following Board Subcommittees were functional as at 31 December 2023. The respective scope, objective and composition of these Subcommittees have been provided in the Corporate Governance Report published in the Annual Report.

- 1) Board Audit Committee
- 2) Board Human Resources and Remuneration Committee
- 3) Board Nomination Committee
- 4) Board Integrated Risk Management Committee
- 5) Related Party Transactions Review Committee
- 6) Board Credit Committee
- 7) Board Marketing and Product Development Committee
- 8) Board Sustainability Committee
- 9) Board Governance and Compliance Committee
- 10) Board Strategic Plan Committee
- 11) Board Information Technology Committee
- Board Procurement and Capital Expenditure Supervisory Committee (*Regulatory Committee established in terms of Banking Act Direction No. 01 of 2023 dated 02 February 2023)

* The Bank had a separate Board Governance and Compliance Committee in addition to the Board Nomination Committee and both were in existence as at 01 October 2023 when the revised Listing Rules of the CSE came into effect. The Bank decided to continue with both Committees in compliance with the Corporate Governance requirements of the CSE, having considered their respective functional scopes that are recognized in terms of respective Terms of Reference of the Committees.

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

28. RELATED PARTY TRANSACTIONS

During the year, the Bank did not carry out any recurrent or non-recurrent related party transaction which required disclosure and/ or shareholder approval as described in sections 9.14.7 and 9.14.8 of the revised CSE Rules (and as stated in section 9 of the previous CSE Rules which were effective before the revised CSE Rules came into effect).

29. DIRECTORATE OF THE SUBSIDIARY, SEYLAN DEVELOPMENTS PLC

The Board of the Bank's Subsidiary, Seylan Developments PLC comprised the following as at 31 December 2023, all of whom continued to be on the Board of the Subsidiary as at the date of this Report:

- Mr Ramesh Jayasekara Chairman
- Mr Somadasa Palihawadana Deputy Chairman / Independent, Non-Executive Director
- Mr Piyal Hennayake Independent, Non-Executive Director
- Mr Sunil De Silva Senior Independent, Non-Executive Director
- Ms Champika Dodanwela Non-Executive Director

(Mr Ramesh Jayasekara who had been a Non-Executive Director of the Bank's subsidiary, was appointed as the Chairman of its Board with effect from 01 May 2023. Ms Champika Dodanwela who is the Chief Financial Officer of the Bank was appointed as a Non-Executive Director with effect from 01 May 2023).

30. HUMAN RESOURCES

During the first quarter of the year 2023, the Board Human Resources and Remuneration Committee ('BHRRC') and the management in consultation with the Board of Directors effectively implemented the Board approved Succession Plan on the appointment of the new Director /Chief Executive Officer of the Bank. During the transition period, BHRRC closely worked with the newly appointed Chief Executive Officer to assist in taking over the overall management of the Bank, ensuring no interruptions to the banking operation and effective execution of the business/operational strategies.

The management was guided to focus on the projects, and initiatives captured in the

Human Resources Strategic Plan and to implement them in expanding the human resources value proposition and improving the operational excellence. More importantly, leadership development was prioritized and initiatives were rolled out in strengthening the talent pools objectively, thus ensuring the requirements of the organizational structure are fulfilled in order to address a new set of challenges in banking products, services and the market conditions.

In guiding the Human Resources Management pillar of the Bank, the BHRRC constantly monitored the progress of the collective bargaining process with the Staff Unions and ensured successful conclusion in extending rewards and benefits to staff members effective January 2024. The other key initiatives that were adding value during the year were restructuring of Employment Benefits, Competency Development, Learning Culture, Employee Engagement, Talent acquisition and Employee Retention.

31. CORPORATE GOVERNANCE

The year 2023 too continued to be a challenging year for the Bank as much as for the industry and other businesses due to the macroeconomic conditions which prevailed in the country. The Board of Directors played an active role in ensuring that the interests of its various stakeholders, namely shareholders, customers, employees, regulators, general public, etc., were handled in a way that was consistent with its obligations to these groups and with the long-term health of the Bank. The Board ensured that the systems and procedures established were adequately and practically adopted and followed by the management.

The extent of compliance with applicable regulatory directions, rules and guidelines on Corporate Governance have been disclosed in the Corporate Governance Report published in the Annual Report.

The External Auditors carried out an agreed upon procedure in accordance with the Sri Lanka Related Services Practice Statement (SLRSPS 4750) with regard to the Bank's compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance and confirmed that the findings were consistent with the matters reported in the Corporate Governance Report in the Annual Report.

32. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

32.1 Risk Management

The Board Integrated Risk Management Committee ('BIRMC') was vested with this responsibility by the Board, and ensured the implementation of a sound Risk Management Framework by means of an ongoing process to identify, evaluate and manage the risks that are faced by the Bank. The Chief Risk Officer reported and updated the status of the Bank's overall risks to the Committee at its regular quarterly meetings. The Report of the BIRMC and a detailed report on Risk Management of the Bank are published in the Annual Report.

Capital Management

The Bank has an ongoing process to evaluate the adequacy of capital in line with strategic aspirations and to comply with the BASEL III guidelines. The detailed review on Capital Management is discussed in the Risk Management Report published in the Annual Report.

32.2 System of Internal Control

The Board recognizes that upholding of a robust and effective Internal Control Framework is indispensable due to the resultant positive impact on the Bank's performance and good governance. Internal control is a process, carried out at various levels in the Bank, aiming to provide a reasonable certainty of achievement of the objectives; safeguarding of assets; efficiency and effectiveness of operating activities: reliability of accounting information and compliance with laws and regulations. The Internal Control Framework of the Bank consists of organizational structures; policies; effectively designed, documented and periodically reviewed business processes with inbuilt control mechanisms, instructions and guidelines and duly approved delegated authority levels. An effective Internal Control Framework is a key decisive factor for the sustainability of the Bank in the long run in terms of market share, service quality, profitability and stakeholder confidence.

The Board confirms the existence of an effective system of internal controls for managing the risks faced by the Bank by taking timely risk mitigation actions and ensuring operational effectiveness of such

internal controls, which had been in place throughout the year under review up to the date of approval of this Annual Report and have been consistently reviewed. The Directors' Statement on Internal Control over Financial Reporting is given on pages 157-158 of this Annual Report.

33. COMPLIANCE WITH LAWS AND REGULATIONS

The Bank has not engaged in any activities contravening any laws and regulations currently in force. Key management personnel confirm compliance with various laws and regulations and their confirmations were reported to the Board on a monthly basis by the Compliance Officer during the year.

34. OUTSTANDING LITIGATIONS

In the opinion of the Directors and external legal counsels retained by the Bank, litigations currently pending against the Bank as disclosed in Note 48 to the Financial Statements will not have a material impact on the financial position of the Bank or its future operations.

35. ENVIRONMENTAL PROTECTION

The Bank has not engaged in any activity that is harmful or hazardous to the environment and has always taken measures on environmental protection and its sustainability.

36. STATUTORY PAYMENTS

The Directors are satisfied that all statutory payments including all taxes, duties and levies payable by the Bank and its Subsidiary, to the government, regulatory institutions and related to the employees have been made or where relevant provided for.

37. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date which would require adjustments to or disclosure in the Accounts, other than those given in Note 51 to the Financial Statements.

38. GOING CONCERN

The Directors having made appropriate enquiries on the business plans, review of corporate strategy and budget for the ensuing year, stable regulatory and profitability ratios, future prospects and cash flows, potential implications of uncertainties associated with the prevailing economic conditions and any other matters which are required to be addressed in terms of applicable Corporate Governance regulations and standards is of the view that the Bank and its subsidiary have adequate resources to continue their operations in the foreseeable future, hence financial statements of the Bank and the subsidiary are prepared based on going concern basis.

39. AUDITORS

The Bank's Auditors during the period under review were M/s KPMG, Chartered Accountants. The audit fees and consolidated audit fees for the accounting period are given in Note 14 to the Financial Statements.

Based on the declaration made by M/s KPMG and as far as the Directors are aware, the Auditors do not have any relationship with or interest in the Company or its subsidiary other than the provision of audit and non-audit and related services as given in the said Note 14.

The retiring Auditors, M/s KPMG have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

40. INDEPENDENCE OF THE AUDITORS

Based on an assessment carried out by the Board Audit Committee, the Board concluded that the External Auditors, M/s KPMG can be deemed to be independent for all intents and purposes considering the following factors:

- No partner from the Firm is on the Board of Seylan Bank or on the Board of its subsidiary.
- The audit and non-audit fees paid/ payable to the Auditors are negotiated and are not above industry norms and they do not receive fees from other assignments except as stated in Note 14 to the Financial Statements.
- M/s KPMG is a firm of high repute and the firm had the necessary skills to competently carry out the non-audit related assignments entrusted to them.
- Partner and Audit-team rotation was complied with in the financial year 2019.

41. NOTICE OF ANNUAL GENERAL MEETING

Notice of Meeting relating to the Thirty Seventh (37th) Annual General Meeting of the Bank scheduled to be held on Thursday, 28 March 2024 at 11.00 a.m. at 'Samudra Ballroom', Taj Samudra Hotel, No 25, Galle Face Centre Road, Colombo 03, together with the relevant circulars/forms will be dispatched to the shareholders which will be uploaded on the websites of the CSE (www.cse.lk) and that of the Bank (www. seylan.lk) together with the Annual Report of the Bank. Hard copies of the Annual Report will be issued by the Company Secretary to any securities holder on receiving a formal request.

We, the undersigned acknowledge the contents of this Report and its' Annexure and have placed our signatures for and on behalf of the Board of Directors of Seylan Bank PLC, at Colombo, this 20 day of February 2024.

W M R S Dias Chairman

Ramesh Jayasekara Director/Chief Executive Officer



(Ms) Saraswathie Poulraj Company Secretary

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Directors' Interest Register and Directors' Interest in transactions as at 31 December 2023

The Bank carries out transactions in the ordinary course of business at commercial rates with entities in which a Director of the Bank is the Chairman or a Director of such entities. Please refer Note 52 to the Financial Statements for information on related party transactions.

The entities in which the Directors of the Bank held directorships and substantial shareholdings as at 31 December 2023 are disclosed below.

Mr W M R S Dias (Non-Executive Director/Chairman)

Ent	ity	Directorships (Executive/Non- Executive status)	Substantial Shareholding % (if any)
List	ed Entities		
1.	Carson Cumberbatch PLC	Independent Non-Executive Director	-
2.	Tokyo Cement Co (Lanka) PLC	Independent Non-Executive Director	-
Unl	isted Entities		
3.	Ceylon Tea Marketing (Pvt) Ltd	Independent Non-Executive Chairman	-
4.	Superfine Teas (Pvt) Ltd	Non-Executive Chairman	-
5.	Jay-Cey-Tea (Pvt) Ltd	Non-Executive Chairman	-
6.	Tokyo Super Cement Company Lanka (Pvt) Ltd	Non-Executive Director	-
7.	Tokyo Cement Power Lanka (Pvt) Ltd	Non-Executive Director	-
8.	Tokyo Eastern Cement Company (Pvt) Ltd	Non-Executive Director	-
9.	Tokyo Supermix (Pvt) Ltd	Non-Executive Director	-
10.	United States-Sri Lanka Fulbright Commission	Director	-

Mr Ramesh Jayasekara (Director/Chief Executive Officer)

Enti	ty	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
List	ed Entities		
1.	Seylan Developments PLC	Non-Executive Chairman	-
Unli	sted Entities		
2.	Esots (Pvt) Ltd	Non-Executive Chairman	-
3.	Sesot (Pvt) Ltd	Non-Executive Chairman	-
4.	Seyshop (Pvt) Ltd	Non-Executive Chairman	-
5.	Seybest (Pvt) Ltd	Non-Executive Chairman	-
6.	Seyfest (Pvt) Ltd	Non-Executive Chairman	-
7.	Sotse (Pvt) Ltd	Non-Executive Chairman	-
8.	Lanka Financial Services Bureau Ltd	Non-Executive Director	-
9.	LankaPay (Pvt) Ltd	Non-Executive Director	-
10.	Sri Lanka Banks' Association	Director	-

Ms Sandya K Salgado (Independent Director/ Senior Independent Director)

Entity	Directorships (Executive/Non- Executive status)	Substantial Shareholding % (if any)
Unlisted Entities		
1. WAD International (Pvt) Ltd	Non-Executive Director	25% (indirect)
2. Film Island (Pvt) Ltd	Non-Executive Director	55%
3. Jigsaw International (Pvt) Ltd	Executive Director	50%
4. Carnival Movies Lanka Ltd	Executive Director	-
5. The Drug Shop	Partner	50% partnership

Mr D M D Krishan Thilakaratne (Non-Executive Director)

Listed Entities 1. LOLC Finance PLC Director/CEO - 2. Commercial Factors PLC Non-Executive Director - Unlisted Entities - - 3. Commercial Insurance Brokers (Pvt) Ltd Non-Executive Director - 4. LOLC Myanmar Micro Finance Company Limited Non-Executive Director -	Entity	Directorships (Executive/Non- Executive status)	Substantial Shareholding % (if any)
2. Commercial Factors PLC Non-Executive Director - Unlisted Entities - 3. Commercial Insurance Brokers (Pvt) Ltd Non-Executive Director -	Listed Entities		
Unlisted Entities	1. LOLC Finance PLC	Director/CE0	-
3. Commercial Insurance Brokers (Pvt) Ltd Non-Executive Director -	2. Commercial Factors PLC	Non-Executive Director	-
	Unlisted Entities		
4. LOLC Myanmar Micro Finance Company Limited Non-Executive Director -	3. Commercial Insurance Brokers (Pvt) Ltd	Non-Executive Director	-
	4. LOLC Myanmar Micro Finance Company Limited	Non-Executive Director	-
5. Fazo S Micro Deposit Organization-Tajikistan Non-Executive Director -	5. Fazo S Micro Deposit Organization-Tajikistan	Non-Executive Director	-
6. OJSC Micro finance Company "ABN" Kyrgyzstan Non-Executive Director -	6. OJSC Micro finance Company "ABN" Kyrgyzstan	Non-Executive Director	-

Mr L H A Lakshman Silva (Independent Director)

Directorships (Executive/Non- Executive status)	Substantial Shareholding % (if any)
Independent Non - Executive Chairman	-
Non - Executive Chairman	-
Non-Executive Chairman	-
Non-Executive Chairman	-
Non-Executive Chairman	-
Non-Executive Chairman	-
Non-Executive Chairman	-
Independent Director	-
	(Executive/Non- Executive status)

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director)

Entity	Directorships (Executive/Non- Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. LOLC General Insurance PLC	Non-Executive Director	-
2. Serendib Microinsurance PLC - Cambodia	Non-Executive Director	-
3. Sierra Cables PLC	Non-Executive Director	-
4. Udapussellawa Plantations PLC	Non-Executive Director	-
5. Hapugastenna Plantations PLC	Non-Executive Director	-
6. Agstar PLC	Non-Executive Director	-
Unlisted Entities		
7. Browns Hotels & Resorts Ltd	Non-Executive Director	-
3. NPH Investment (Pvt) Ltd , Maldives	Non-Executive Director	-
9. Browns Metal & Sands (Pvt) Ltd	Non-Executive Director	-
10. Browns Engineering & Construction (Pvt) Ltd	Non-Executive Director	-
11. BI Commodities and Logistics (Pvt) Ltd	Non-Executive Director	-
12. Gurind Accor (Pvt) Ltd	Non-Executive Director	-
13. Samudra Beach Resorts (Pvt) Ltd	Non-Executive Director	-
14. Iconic Trust (Pvt) Ltd	Non-Executive Director	-
15. Tropical Island Commodities (Pvt) Ltd	Non-Executive Director	-
 LOLC Microfinance Bank Ltd (formerly known as Pak Oman Microfinance Bank Ltd, Pakistan) 	Non-Executive Director	-
17. LOLC Life Insurance Limited, Zambia	Non-Executive Director	-
8. Maturata Plantations Ltd	Executive Director	-

Ms Averil A Ludowyke (Independent Director)

Entity	Directorships (Executive/Non- Executive status)	Substantial Shareholding % (if any)
Listed Entities		
Bogala Graphite PLC	Independent Non-Executive Director	-
Unlisted Entities		
Ceylinco Life Insurance Ltd	Independent Non-Executive Director	-

Non-Executive Director, Mr S V Corea and Independent Director, Mr D M Rupasinghe did not hold any directorships or substantial shareholdings in other entities as at 31 December 2023.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Responsibility

This report on internal control mechanism of the Bank is presented by the Board of Directors in compliance with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007.

The Board of Directors ("Board") is responsible for the Bank's system of internal controls and for reviewing its design and operating effectiveness. However, such a system will mitigate but may not completely eliminate the risk of failure in achieving the business objectives of the Bank. Hence, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of financial information and records.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Bank and this process provides for modifying the system of internal controls in response to changes in business and regulatory environment. The process is reviewed regularly by the Board, taking into account principles for the assessment of the internal control system as given in the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The process is in compliance with the requirements set out in this document.

The Management assists the Board in implementation of its policies and procedures on risk and controls by identifying and assessing the relevant risks faced by the Bank and in designing, implementing, operating and monitoring of appropriate internal controls to mitigate and control such risks. The Board is of the view that the system of internal controls over financial reporting is sound and adequate to provide a reasonable assurance on reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with the relevant accounting principles and regulatory requirements.

Key features of the process in place for reviewing the design and effectiveness of the internal controls system over financial reporting.

Key processes that are presently in place for reviewing the design, operating effectiveness and the integrity of the system of internal controls relevant to financial reporting are set out below:

- The Board is assisted by Board Sub Committees established by the Board in ensuring the effectiveness of the Bank's daily operations in terms of alignment with the corporate strategies, objectives and the annual budget and in approving the policies and business directions as required.
- The Board Audit Committee (BAC) of the Bank evaluates the adequacy and effectiveness of the risk management and internal control systems and monitors the internal control issues identified by the Regulatory Authorities, Internal Audit Department, External Auditors and the Management. They also review the internal audit function with emphasis on the coverage, scope and the quality of internal audits. Minutes of the BAC meetings are tabled at Board meetings of the Bank on a periodic basis. Activities undertaken by the BAC are set out in the Audit Committee Report on pages 116-117.
- The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal risk areas of the Bank. Executive Risk Management Committees assist the Board through BIRMC on implementation of policies approved by the Board.
- Management/ operational committees have also been established with an appropriate level of empowerment to ensure effective management and supervision of the core areas of the Bank's business operations.
- The Internal Audit Department of the Bank reviews the effectiveness of the internal control systems and the design of and compliance with the policies and procedures on an

on-going basis. Audits are carried out on all business units, functions and branches based on a risk based annual planning mechanism. Frequency and the scope of audits are determined by the level of risk assessed. The key objective of such audits are to provide an independent and objective assessment on operational and management activities of the business units, functions and branches. The annual internal audit plan is reviewed and approved by the Audit Committee and all the findings of the audits are escalated to the Audit Committee.

- Policies and procedures for ensuring compliance with internal controls and the relevant laws and regulations are set out in operation manuals, guidelines and the directives issued by the Bank which are reviewed and updated from time to time.
- The existing models were further refined this year to validate the appropriateness of the underlying assumptions, incorporate the potential implications of the macroeconomic conditions prevailing in the country through post model adjustments, based on stress testing the exposures to risk elevated sectors and adjustments made to economic factors. Considering the complexity involved in the computation of ECL from Loans and Advances, the Bank will continue to strengthen the process with system-supported procedures in order to minimize the manual intervention.
- All controls, including the IT General Controls and the branch level application controls, were documented by respective departments, on relevant formats prescribed in the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" in the Sri Lanka Standard on Assurance Engagements 3050, issued by The Institute of Chartered Accountants of Sri Lanka.
- In assessing the internal control system over financial reporting, the Management of the Bank captured

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

all procedures and controls that are connected with significant accounts and disclosures in the Financial Statements of the Bank. These are reviewed by the Internal Audit Department for adequacy of design and operating effectiveness on an on-going basis based on a risk based approach.

Recommendations made by the External Auditors with regard to the internal control system in the financial year ended 31st December 2022 were taken into consideration and appropriate measures were taken to incorporate the recommendations in to the internal controls. Recommendations by the External Auditors with regard to the internal control system made during the financial year ended 31st December 2023 will be addressed in the ensuing year.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance on the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and regulatory requirements of the Central Bank of Sri Lanka. This confirmation excludes the subsidiary of the Bank.

Review of the statement by External Auditors

The External Auditors have reviewed the above Directors' Statement on Internal Control of the Bank for the year ended 31st December 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the above Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Bank. Their report to the Board is disclosed on page 159 of this Annual Report.

By order of the Board of Directors of Seylan Bank PLC

W M R S Dias Chairman

Ramesh Jayasekara Director/ Chief Executive Officer

douple

(Ms) Averil Ludowyke Chairperson-Board Audit Committee

20 February 2024 Colombo

INDEPENDENT ASSURANCE REPORT

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Assurance Engagements SLSAE 3050

(revised). Assurance Report for Banks on

Directors' Statement on Internal Control,

This standard requires that we plan and

assurance about whether Management

has prepared, in all material respects, the

For purposes of this engagement, we are

not responsible for updating or reissuing

any reports, nor have we, in the course of

this engagement, performed and audit or

Our engagement has been conducted to

supported by the documentation prepared by or for the Directors and appropriately

adopted in reviewing the system of internal

evidence has been obtained by performing

Enquired the Directors to obtain an

understanding of the process defined by the Board of Directors for their

review of the design and effectiveness

of internal control and compared their

understanding to the Statement made

Reviewed the documentation prepared

by the Directors to support their

Related the Statement made by the

Bank obtained during the audit of the

Reviewed the minutes of the meetings

Committee at which the annual report,

Control is considered and approved for submission to the Board of Directors.

including the Statement on Internal

of the Board of Directors and of

Attended meetings of the Audit

relevant Board Committees.

Directors to our knowledge of the

Statement made.

financial statements.

by the Directors in the annual report.

assess whether the Statement is both

reflects the process the Directors have

To achieve this objective, appropriate

control for the Bank.

the following procedures:

(a)

(b)

(C)

(d)

(e)

review of the financial information.

Summary of work performed

perform procedures to obtain limited

Statement on Internal Control.

issued by the Institute of Chartered

Accountants of Sri Lanka.



KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P 0 Box 186 Colombo 00300, Sri Lanka.

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- Considered whether the Director's (f) Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.
- Obtained written representations (a) from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3050 (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 judgment, 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 on pages 157 to 158 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

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CHARTERED ACCOUNTANTS Colombo

20 February 2024

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG (internetional Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA Ms. S. Josoph FCA G. A. U. Karunaratine FCA R. H. Rejen FCA A.M.R.P. Alahakoon ACA

T. J. S. Rajakarier FCA W. K. D. C. Abeyrathne FCA R.M.D.B. Rejepakse FCA M.N.M. Shameel FCA Me. P.M.K. Sumanasekara FCA W. W. J. C. Perera FCA S. T. D. L. Perera FCA Ms. B.K.D.T.N. Rodrigo FCA Ms. C.T.K.N. Perers ACA R.W.M.O.W.D.B. Rathnadiwa es FCA

Principals: S.R.L Parera FCMA(UK), LLB, Attorney-at-Law, H.S. Goone ardene ACA, Ms. F.R Ziyard FCMA (UK), FTB

THE BOARD OF DIRECTORS OF SEYLAN BANK PLC.

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Seylan Bank PLC ("Bank") to provide assurance on the Director's Statement on Internal Control ("Statement") included in the annual report for the year ended 31 December 2023.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

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 behavior.

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 professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

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

Committed to purpose-led growth

SUSTAINABLE RESULTS

Our multi-capital integrated approach defines our decision-making and disclosure practices. Communicating our business objectives using this approach helps our stakeholders to identify the most significant levers for value creation and preservation.

FINANCIAL CALENDAR - 2023 Released to the Colombo Stock Exchange (CSE) Interim Financial Statements (Audited) for the 4th Quarter/ 23 February 2023 Year ended 31 December 2022 Final Audited Financial Statements for the Year ended 03 March 2023 31 December 2022 and Annual Report – 2022 1st Quarter/Three months ended 31 March 2023 28 April 2023 2nd Quarter/Six months ended 30 June 2023 10 August 2023 3rd Quarter/Nine months ended 30 September 2023 31 October 2023 36th Annual General Meeting (AGM) Held on Thursday, 30 March 2023 at 10.30 a.m. at the "Bougainvillea Hall", Galadari Hotel, No. 64, Lotus Road, Colombo 01. First and Final Ordinary Dividend for the year ended Scrip dividend of LKR 2.00 per share

31 December 2022

The Interim Financial Statements were also published in the newspapers as per the requirements of the Central Bank of Sri Lanka.

PROPOSED FINANCIAL CALENDAR - 2024

		Proposed Date
Interim Financial Statements for the 4th Quarter/Year ended 31 December 2023	To be released to the Colombo Stock Exchange (CSE)	In February 2024
Final Audited Financial Statements for the Year ended 31 December 2023 and Annual Report 2023	To be released to the CSE	Before 5 March 2024
37 th Annual General Meeting (AGM)	Scheduled to be held at Samudra Ballroom Taj Samudra Colombo, No. 25, Galleface Center Road, Colombo 3	On Thursday, 28 March 2024 at 11.00 a.m.
First and Final Ordinary Dividend For the year ended 31 December 2023	Subject to the approval of the shareholders at the AGM	In April 2024 (as per the Rules of the CSE)
Interim (unaudited or audited) Financial Statements	Statements in respect of the four quarters of 2024 will be released as per the Rules of the CSE and will be published in the newspapers as per the requirements of the Central Bank of Sri Lanka.	

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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The Statement of Responsibility of the Directors of Seylan Bank PLC (Bank) in relation to the Financial Statements of the Bank and the Consolidated Financial Statements of the Group is set out in this Report in terms of the provisions of the Companies Act No. 07 of 2007 (the Act) and the Banking Act Direction No.11 of 2007 (as amended).

The Directors of the Bank ensure that the Bank maintains proper books of account of all its transactions so as to enable the financial position of the Bank to be determined with reasonable accuracy at any time, enable the preparation of Financial Statements of the Bank in accordance with the Act and enable the Financial Statements of the Bank to be readily and properly audited.

Confirmation of Directors' responsibility

The Directors of Seylan Bank PLC confirm that to the best of their knowledge:

- The Financial Statements prepared and published on pages 169 to 272 of this Annual Report in terms of Sections 150 (1), 151 (1), 152 (1) and 153 (1) of the Companies Act, give a true and fair view of the state of affairs of the Bank and the Group and the profit for the year ended 31 December 2023;
- The Financial Statements for the year ended 31 December 2023 presented in this Annual Report are consistent with the underlying books of account of the Bank and are in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Banking Act No. 30 of 1988 (as amended), Directions and Guidelines of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance published by the Institute of Chartered Accountants of Sri Lanka;
- In preparing the Financial Statements for the year ended 31 December 2023, appropriate accounting policies, judgements and estimates have been considered and applied on a consistent basis with material departures if any disclosed in the Financial Statements together with the rationale for same; The Directors have also taken into consideration the implications of the current economic conditions, Governments' Debt Optimization completed in August 2023, and the future outcome of negotiations of Sri

Lanka International Sovereign Bonds on the Groups' business operations, financial performance and future capital requirements.

 Proper books of account have been maintained and have also taken reasonable steps to ensure the accuracy and reliability of accounting records.

The Directors further confirm that:

- The financial reporting system was reviewed by the Board through the management accounts submitted monthly at Board Meetings. The Bank's Interim and Audited Financial Statements were also reviewed by the Board Audit Committee and the Board prior to the said statements being released and published.
- The Financial Statements of the Bank and the Group have been certified by the Bank's Chief Financial Officer, the person responsible for their preparation, and signed on behalf of the Board of Directors by two Directors of the Bank on 20 February 2024.

External Auditors' reviews and opinions

The Bank's Auditors, M/s KPMG was engaged to carry out reviews and sample checks on the effectiveness of the systems of internal control as they consider appropriate and necessary in providing their opinion on the Financial Statements. M/s KPMG have examined the Financial Statements made available together with all other financial records, Minutes of Meetings of the Board and the Board Sub committees and related information and have expressed their opinion which appears on page 164 of this Annual Report.

Internal control mechanism over financial reporting

The Board is also responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Bank's assets and ensure continuity of operations. To this end, the Board has identified principal risks and implemented a system to continually assess such risks and established an appropriate control environment for ensuring proper monitoring of effectiveness of internal controls and correction of deficiencies.

The Board's Statement on the effectiveness of the Bank's internal control mechanism over financial reporting, prepared in accordance with the Guidelines issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with Section 3(8) (ii) (b) of the Banking Act Direction No.11 of 2007 (as amended) is published on pages 157 to 158 and Bank's Independent Auditors' Report on our assessment of Bank's internal controls over financial reporting is published on page 159 of this Annual Report.

Solvency

The Board of Directors confirm that they have authorized the distribution of the proposed dividend having been satisfied that the Bank would meet the solvency test in terms of the provisions of Section 56(2) of the Companies Act No.07 of 2007 immediately after the proposed dividend payment. The Board has obtained a statement of solvency from the External Auditors which confirm that the Bank satisfy the Solvency as per Section 57 of the Companies Act.

The Directors confirm that to the best of their knowledge and belief, all statutory payments due and payable to all statutory and regulatory authorities as at the Reporting date, have been paid by the Bank and its subsidiary or where relevant provided for.

Going concern

The Directors having made appropriate enquiries on the business plans, review of corporate strategy and budget for ensuing year, stable regulatory and profitability ratios, future prospects and cash flows and any other matters which required to be addressed in terms of applicable corporate governance regulations and standards is of the view that the Bank and its Subsidiary have adequate resources to continue their operations in the foreseeable future, hence financial statements of the Bank and the Subsidiary are prepared based on going concern basis.

The Directors are of the view that they have discharged their obligations as set out in this statement.

By Order of the Board of Directors

(Mrs) Saraswathie Poulraj Company Secretary

20 February 2024 Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Seylan Bank and the Group for the year ended 31 December 2023 are prepared in compliance with the below requirements.

- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007 and amendments thereto
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Banking Act No. 30 of 1988 and amendments thereto
- Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL)
- The Listing Rules of the Colombo Stock
 Exchange
- The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka

The formats used in the Financial Statements and disclosures are in conformity with the specified formats prescribed by the CBSL, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements).

The significant Accounting Policies and Estimates that involved a high degree of judgment and complexity were discussed with the External Auditors and the Board Audit Committee.

The Board of Directors and Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Bank's state of affairs. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting. We continue to adopt the 'Going Concern' basis in preparing the Financial Statements, based on the assessment carried out taking into consideration the changes in the economic conditions prevail in the country, the associated uncertainties and the potential implication on the business environment and are of view that there are reasonable grounds to believe that the Group has adequate resources to continue in operation.

The Financial Statements of the Bank and the Group were audited by Messrs. KPMG. Chartered Accountants, and their report is given on pages 164 to 168 of this Annual Report. The Audit Committee of the Bank meets periodically with the Internal Auditors and the External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Audit Committee pre-approves the audit and non-audit services provided by Messrs. KPMG in order to ensure that the provision of such services does not impair Messrs. KPMG's independence.

It is also declared and confirmed that the Bank has complied with and ensured compliance by the Auditors with the guidelines for the audit of listed companies, where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that the Bank and its Subsidiary have complied with all applicable laws, regulations and guidelines and there are

no material litigations against the Group, other than those disclosed in Note 48 of the Financial Statements in this Annual Report.

Taxes, duties, levies and all statutory payments payable by the Bank and its Subsidiary as at 31 December 2023 have been paid, or where relevant provided for.

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Mr Ramesh Jayasekara Director/ Chief Executive Officer

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Ms Champika Dodanwela Chief Financial Officer

20 February 2024 Colombo

INDEPENDENT AUDITOR'S REPORT



KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. 0. Box 186, Colombo 00300, Sri Lanka.

TO THE SHAREHOLDERS OF SEYLAN BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seylan Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies as set out on pages 169 to 272 of this Annual Report. In our opinion, the accompanying financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka ("Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with +94 - 11 542 6426 +94 - 11 244 5872 +94 - 11 244 6058 www.kpmg.com/lk

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the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Bank's financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Bank's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowances for Expected Credit Losses

Refer to Note 3 (Use of Estimates & Judgements), Note 13 (Impairment Charges) and Note 25 (Financial assets measured at amortized cost - Loans and advances), to these financial statements.

Risk Description	Our Responses
As disclosed in Note 25 and 13 to these financial	Our audit procedures to assess the allowances for ECL included the following:
statements, the Bank has recorded financial assets measured at amortized cost against loans and	Testing key controls of the Bank in relation to:
advances to customers, of LKR 497,205 Mn as at 31 December 2023. High degree of complexity and	• The ECL model governance and validation processes which involved assessment of model performance.
judgment are involved in estimating Expected Credit Loss (ECL) - Bank LKR 59,672 Mn, as at the reporting date.	 The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by internal governance processes.
Allowance for expected credit losses (ECL) is a key audit matter due to the significance of the loans and receivables balance to the financial statements and	• Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems.
the inherent complexity of the ECL models used by the Bank to measure ECL allowances.	 IT system controls which record loans days past due, and non-performing loan classification.
These models are reliant on data and estimates including multiple economic scenarios and key assumptions such as defining a significant increase in credit risk (SICR). SICR identification is a key judgement within the ECL methodology, as this criterion determines if a forward-looking 12 month or lifetime allowance is recorded.	
KPMG, a Sri Lankan partnership and a member fim	n of the C. P. Jayatilake FCA T. J. S. Rejakarier FCA W. W. J. C. Perera FCA

KPMG, a ST Lankan partnership and a member firm of the KPMG global organization of Independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. C. P. Jayatilake FCA Mis. S. Josoph FCA G. A. U. Karunaratne FCA R. H. Rejan FCA A.M.R.P. Alahakoon ACA
 T. J. S. Rejakarier FCA
 W

 W. K. D. C. Abeyrathons FCA
 S

 R.M.D.B. Rejeparkse FCA
 M

 M.N.M. Shameel FCA
 M

 Me. P.M.K. Sumpnissekara FCA
 R

W. W. J. C. Perera FCA S. T. D. L. Perera FCA Ms. B.K.D.T.N. Rodrigo FCA Ms. C.T.K.N. Perera ACA R.W.M.O.W.D.B. Rathnadiwakara FCA

Principals: S.R.L Perera FCMA(UK), LLB. Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Zyard FCMA (UK), FTB



Allowances for Expected Credit Losses

Refer to Note 3 (Use of Estimates & Judgements), Note 13 (Impairment Charges) and Note 25 (Financial assets measured at amortized cost - Loans and advances), to these financial statements.

Risk Description

Our Responses

SLFRS 9 Financial Instruments requires the Bank to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are considered to address known ECL model limitations or emerging trends in the loan portfolios. Additional subjectivity and judgement are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.

Additionally, allowances for individually assessed loans exceeding specific thresholds are assessed. Challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held in respect of the loans by the Bank up in respect of the loans.

The disclosures regarding the Bank's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.

Selecting a sample of larger customers (based on quantitative threshold set by the Bank for ISL customers) where impairment indicators have been identified by management and assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Bank as showing signs of deterioration,

Assessing adequacy of impairment for individually significant customers (ISL)

Obtaining management's assessment of the recoverability of these exposures (including individual impairment calculations) and assessed whether individual impairment provisions, or lack of, were appropriate.

or in areas of emerging risk (assessed against external market conditions and in

particular considering the potential implications of prevailing economic conditions).

This included the following procedures.

- Evaluating management's assessment of recoverability of the forecasted cash flows by comparing them to the historical performance of the customers, their financial position and the expected future performance where applicable.
- Assessing external collateral valuer's credentials and comparing external valuations to values used in management's impairment assessments, forecasted timing of future cash flows in the context of underlying valuations and approved business plans and challenging key assumptions in the valuations.
- Exercising our judgment, our procedures included using our understanding of
 relevant industries and the macroeconomic environment and comparing with
 the data and assumptions used by the Bank in recoverability assessment. Where
 relevant we assessed the forecast timing of future cash flows in the context of
 underlying valuations, and business plans and evaluating the key assumptions in
 the valuations.
- Testing the implementation of the Bank's SICR methodology by re-performing the staging calculation for a sample of loans.
- For a sample of customer loans which were not identified as displaying indicators of impairment by management, we reassessed the conclusions made by the management by reviewing the historical performance of the customers and form our own view whether any impairment indicators were present.

Assessing the adequacy of collectively assessed impairment.

We tested key controls of the Bank by:

- Obtaining an understanding of the processes to determine ECL allowances of the Bank, evaluating the ECL model methodologies of the Bank and against established market practices and criteria in the accounting standards.
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings, trends in the credit risk concentration of specific portfolios and our understanding of economic conditions. As part of this work, we assessed the reasonableness of the considerations of the uncertainty relating to key economic indicators used by the Bank.
- By working with our Financial Risk Management (FRM) specialist we carried out the following procedures.
 - Challenging the Bank's forward-looking macro-economic assumptions and scenarios incorporated in the ECL models by comparing the economic factors used to relevant publicly available macro-economic information, to identify contradictory indicators.

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INDEPENDENT AUDITOR'S REPORT



Allowances for Expected Credit Losses

Refer to Note 3 (Use of Estimates & Judgements), Note 13 (Impairment Charges) and Note 25 (Financial assets measured at amortized cost - Loans and advances), to these financial statements.

Risk Description	Our Responses						
	Evaluating and challenging the key assumptions in the components of the Bank's post-model adjustments to the ECL allowance balance. This included assessing the requirement for additional allowances considering the Group's ECL model and data limitations identified by Bank's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the prevailing economic conditions;						
	 Assessing the ongoing effectiveness of the SICR criteria and independently calculating the loans' stage to determine whether a SICR event had occurred; 						
	 Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the assessment of the Bank; 						
	 Evaluating the approach taken by the management in identifying the risk elevated sectors and assessing the current market conditions and specific risks in the loan portfolios of the Bank due to exposure to risk elevated sectors; 						
	Assessing the adequacy of post model adjustments						
	We challenged key assumptions in the components of the Bank's post-model adjustments to the ECL allowance balance. This included:						
	 Assessing post-model adjustments against the ECL model of the Bank and data deficiencies identified in the ECL model validation processes, particularly in light o the significant volatility in economic scenarios; 						
	 Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and specific risks (including exposure to risk elevated sectors) in the loan portfolios of the Bank; 						
	 Assessing certain post-model adjustments identified by the Bank against internal and external information; 						
	 Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Bank's assessment. 						
	Assessing the adequacy of impairment for financial assets						
	By working with our Financial Risk Management (FRM) specialist we carried out the following procedures.						
	 Challenging the underlying assumptions used and the methodology adopted by th Bank to compute the impairment provision; and 						
	 Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives. 						
	We also assessed the appropriateness of the related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.						



IT systems and co	ontrols over	financial	reporting
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Risk Description	Our Responses
The Bank businesses utilize many complexes, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial	We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tester automated controls embedded within these systems which link the technology-enabled business processes.
information and the preparation of financial statements which provide a true and fair view of the Bank financial	Our further audit procedures included:
position and performance.	General IT controls design, observation and operation
The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could	 Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, policy review and awareness, and IT Risk Management practices.
significantly differ depending on the effective operation of the Bank IT controls.	 Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations;
	• Data integrity of critical system reporting used by us in our audit to select sample and analyze data used by management to generate Financial statements.
	Application controls
	Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications.
	• On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger.
	User access controls operation
	Design and operating effectiveness testing of key controls across the user access management
	 Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems and;
	Evaluate the design and operating effectiveness of IT controls, including those

- Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management.
- Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights.

Where our testing identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures, including consideration of mitigating controls.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT



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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- · Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the

direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with 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 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Bank.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.

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Chartered Accountants Colombo, Sri Lanka

20 February 2024

INCOME STATEMENT

			Bank			Group	
For the Year ended 31 December		2023	2022	Change	2023	2022	Change
	Note	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Gross Income	7	116,773,303	96,817,975	20.61	116,835,833	96,834,024	20.66
Interest Income		107,078,561	86,068,611	24.41	107,168,402	86,106,337	24.46
Less: Interest Expenses		67,025,296	45,526,649	47.22	66,716,549	45,219,220	47.54
Net Interest Income	8	40,053,265	40,541,962	(1.21)	40,451,853	40,887,117	(1.06)
Fee and Commission Income		7,751,163	6,697,136	15.74	7,751,002	6,697,059	15.74
Less : Fee and Commission Expenses		270,986	235,118	15.26	274,237	235,852	16.28
Net Fee and Commission Income	9	7,480,177	6,462,018	15.76	7,476,765	6,461,207	15.72
Net Gains/(Losses) from Trading	10	818,206	(446,958)	283.06	818,206	(446,958)	283.06
Net Gains from Derecognition of Financial Assets	11	150,289	34,149	340.10	150,289	34,149	340.10
Net Other Operating Income	12	975,084	4,465,037	(78.16)	947,934	4,443,437	(78.67)
Total Operating Income		49,477,021	51,056,208	(3.09)	49,845,047	51,378,952	(2.99)
Less : Impairment Charges	13	17,004,946	26,433,076	(35.67)	17,004,937	26,433,076	(35.67)
Net Operating Income		32,472,075	24,623,132	31.88	32,840,110	24,945,876	31.65
Less : Operating Expenses	14						
Personnel Expenses	15	9,149,800	7,964,096	14.89	9,194,317	8,007,403	14.82
Depreciation and Amortisation Expenses		1,285,284	1,357,915	(5.35)	1,348,040	1,416,379	(4.82)
Other Expenses		8,021,586	5,898,226	36.00	8,092,983	5,951,401	35.98
Total Operating Expenses		18,456,670	15,220,237	21.26	18,635,340	15,375,183	21.20
Operating Profit before Taxes		14,015,405	9,402,895	49.05	14,204,770	9,570,693	48.42
Less : Value Added Tax on Financial Services		3,454,762	2,646,792	30.53	3,454,762	2,646,792	30.53
Less : Social Security Contribution Levy		480,557	127,243	277.67	480,557	127,243	277.67
Profit before Income Tax		10,080,086	6,628,860	52.06	10,269,451	6,796,658	51.10
Less : Income Tax Expense	16	3,823,872	1,916,597	99.51	3,868,829	2,218,888	74.36
Profit for the Year		6,256,214	4,712,263	32.76	6,400,622	4,577,770	39.82
Profit Attributable to: Equity Holders of the Bank		6,256,214	4,712,263	32.76	6,321,116	4,574,359	38.19
Non-controlling Interest		-	-	-	79,506	3,411	2,230.87
Profit for the Year		6,256,214	4,712,263	32.76	6,400,622	4,577,770	39.82
Basic/Diluted Earnings per Share (LKR)	17	10.17	7.66	32.77	10.27	7.43	38.22

Notes on pages 178 to 272 form an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

			Bank			Group	
For the year ended 31 December		2023	2022	Change	2023	2022	Change
	Note	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Profit for the Year		6,256,214	4,712,263	32.76	6,400,622	4,577,770	39.82
Other Comprehensive Income, net of Tax							
Items that are or may be reclassified to Income Statement in Subsequent Periods							
Net Movement of Cash Flow Hedge Reserve	46.5	-	84,246	(100.00)	-	84,246	(100.00)
Net Gains/(Losses) on Investments in Debt Instruments measured at Fair Value through Other Comprehensive	46.4	097 554	(1 600 614)	160.45	002 470	(1 644 590)	160.41
Income Deferred Tax effect Relating to Items	40.4	987,554	(1,633,614)	160.45	993,479	(1,644,580)	160.41
that are or may be reclassified to Income Statement	34	(296,267)	392,856	(175.41)	(298,047)	394,591	(175.53)
Items that will never be reclassified to Income Statement in Subsequent Periods							
Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	302,235	(1,220,234)	124.77	302,235	(1,220,234)	124.77
Revaluation of Property, Plant and Equipment	46.2	-	-	-	120,850	(20,148)	699.81
Actuarial Losses on Defined Benefit Obligations	43.1.8	(1,005,704)	(222,236)	(352.54)	(1,011,392)	(220,656)	(358.36)
Deferred Tax Effect Relating to Items that will never be reclassified to Income Statement	34	(14,416)	(125,416)	88.51	(50,671)	(119,682)	57.66
Other Comprehensive Income for the Year, net of Tax		(26,598)	(2,724,398)	99.02	56,454	(2,746,463)	102.06
Total Comprehensive Income for the Year		6,229,616	1,987,865	213.38	6,457,076	1,831,307	252.59
Total Comprehensive Income Attributable to:							
Equity Holders of the Bank		6,229,616	1,987,865	213.38	6,353,078	1,834,403	246.33
Non-controlling Interest		-	-	-	103,998	(3,096)	3,459.11
Total Comprehensive Income for the Year		6,229,616	1,987,865	213.38	6,457,076	1,831,307	252.59

Notes on pages 178 to 272 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

			Bank			Group	
As at 31 December		2023	2022	Change	2023	2022	Change
	Note	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets							
Cash and Cash Equivalents	20	48,851,143	40,254,514	21.36	48,851,183	40,254,554	21.36
Balances with Central Bank of Sri Lanka	21	7,028,281	16,784,172	(58.13)	7,028,281	16,784,172	(58.13)
Placements with Banks and Finance Companies	22	22,064,672	1,819,036	1,112.99	22,064,672	1,819,036	1,112.99
Derivative Financial Instruments	23	88,022	519,189	(83.05)	88,022	519,189	(83.05)
Financial Assets recognised through Profit or Loss							
- Measured at Fair Value	24	27,753,867	17,781,867	56.08	27,753,867	17,781,867	56.08
- Designated at Fair Value		-	-	-	-	-	-
Financial Assets at Amortised Cost							
- Loans and Advances	25	437,532,470	444,219,508	(1.51)	437,532,470	444,219,508	(1.51)
- Debt and Other Instruments	26	104,354,510	106,158,878	(1.70)	104,625,662	106,429,752	(1.70)
Financial Assets measured at Fair Value through Other Comprehensive Income	27	40,048,711	17,136,286	133.71	40,286,865	17,186,183	134.41
Investment in Subsidiary	28	1,153,602	1,153,602	-	-	-	-
Group Balances Receivable	29	40,500	64,435	(37.15)	-	-	-
Property, Plant & Equipment	30	3,874,650	3,770,541	2.76	6,627,167	6,462,909	2.54
Right-of-Use Assets	31	5,114,518	4,882,318	4.76	2,735,963	2,722,569	0.49
Investment Properties	32	-	-	-	884,219	886,680	(0.28)
Intangible Assets	33	536,989	510,146	5.26	536,989	510,146	5.26
Deferred Tax Assets	34	3,171,806	3,242,641	(2.18)	2,571,168	2,684,538	(4.22)
Other Assets	35	16,371,694	14,508,511	12.84	16,406,762	14,574,073	12.57
Total Assets		717,985,435	672,805,644	6.72	717,993,290	672,835,176	6.71
Liabilities							
Due to Banks	36	12,096,756	12,158,030	(0.50)	12,096,756	12,158,030	(0.50)
Derivative Financial Instruments	23	32,269	906,813	(96.44)	32,269	906.813	(96.44)
Financial Liabilities at Amortised Cost	20	02,200	000,010	(00.11)	02,200	000,010	(00.11)
- Due to Depositors	37	590,698,330	547,315,755	7.93	590,698,330	547,315,755	7.93
- Due to Depositors	38	6,862,998	11,944,370	(42.54)	6,862,998	11,944,370	(42.54)
- Due to Other Borrowers	39	16,151	7,483	115.84	16,151	7,483	115.84
Group Balances Payable	40	115,823	202,382	(42.77)	10,131	7,405	113.04
Debt Securities Issued	40	19,967,701	21,617,455	(42.77)	19,967,701	21,617,455	(7.63)
Current Tax Liabilities	41	2,688,253	5,128,484	(47.58)	2,719,843	5,179,000	(47.48)
Lease Liabilities	31			6.04			
Other Liabilities	43	5,409,418 19,591,155	5,101,247 13,973,327	40.20	2,245,420 19,655,972	2,254,558 13,985,243	(0.41) 40.55
Total Liabilities	43	657,478,854	618,355,346	6.33	654,295,440	615,368,707	6.33
		057,478,054	010,333,340	0.55	054,295,440	010,000,707	0.33
Equity							
Stated Capital	44	20,908,673	19,926,453	4.93	20,908,673	19,926,453	4.93
Statutory Reserve Fund	45	2,880,973	2,568,162	12.18	2,880,973	2,568,162	12.18
Retained Earnings		34,846,140	31,063,994	12.18	35,540,973	31,697,936	12.12
Other Reserves	46	1,870,795	891,689	109.80	3,051,187	2,009,510	51.84
Total Equity Attributable to Equity Holders of the Bank		60,506,581	54,450,298	11.12	62,381,806	56,202,061	11.00
Non-controlling Interest	28.1	-	-	-	1,316,044	1,264,408	4.08
Total Equity		60,506,581	54,450,298	11.12	63,697,850	57,466,469	10.84
Total Equity and Liabilities		717,985,435	672,805,644	6.72	717,993,290	672,835,176	6.71
Contingent Liabilities and Commitments	47	165,840,804	167,641,150	(1.07)	165,859,420	167,642,941	(1.06)
Net Asset Value per Share (LKR)		98.31	94.24	4.32	101.36	97.27	4.20
Memorandum Information							
No. of Employees		3,077	3,156	(2.50)	3,095	3,175	(2.52)
No. of Banking Centres		171	171	-	171	171	()

Notes on pages 178 to 272 form an integral part of these Financial Statements.

Certification

The Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

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Champika Dodanwela (Ms.) Chief Financial Officer

¥ W M R S Dias Chairman

Approved and signed for and on behalf of the Board.

NAG

Ramesh Jayasekara Director/Chief Executive Officer

20 February 2024 Colombo

STATEMENT OF CHANGES IN EQUITY

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Bank

For the Year ended 31 December

-	
1	Balance as at 01 January 2022
_	Surcharge Tax
2	Restated Balance as at 01 January 2022
_	Total Comprehensive Income for the Year
	Profit for the Year
	Other Comprehensive Income (net of tax)
	- Actuarial Losses on Defined Benefit Obligations
	- Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income
	- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income
	- Net Movement of Cash Flow Hedge Reserve
	- Deferred Tax Impact on Tax Rate Change
3	Total Comprehensive Income for the Year
	Transactions with Equity Holders, Recognised Directly In Equity
	Scrip Dividend to Equity Holders
	Unclaimed Dividend Absorbed/(Dividend Paid) in respect of Previous Years
	Transferred to Statutory Reserve Fund*
	Transferred from Investment Fund Reserve
	Net Gains on Disposal of Equity Investments measured at Fair Value through Other Comprehensive Income
	Reclassification of Debt Instruments measured at Fair Value through Other Comprehensive Income
4	Total Transactions with Equity Holders
	Balance as at 31 December 2022 (2 + 3 + 4)
1	Balance as at 01 January 2023
	Total Comprehensive Income for the Year
	Profit for the Year
	Other Comprehensive Income (net of tax)
	- Actuarial Losses on Defined Benefit Obligations
	- Net Gains on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income
	- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income
2	Total Comprehensive Income for the Year
	Transactions with Equity Holders , Recognised Directly In Equity
_	Scrip Dividend to Equity Holders
	Transferred to Statutory Reserve Fund*
3	Total Transactions with Equity Holders
	Balance as at 31 December 2023 (1+ 2 + 3)
_	

* Statutory Reserve Fund represents the statutory requirement in terms of the Section 20(1) and (2) of the Banking Act No. 30 of 1988 (5% of net profit after tax).

** FVOCI Reserve - Fair Value through Other Comprehensive Income Reserve.

Notes on pages 178 to 272 form an integral part of these Financial Statements.

	Stated	Capital	Statutory		0	Other Reserves		
	Ordinary Shares - Voting	Ordinary Shares - Non Voting	Reserve Fund *	Retained Earnings	Revaluation Reserve	FVOCI Reserve **	Other Reserves	
Note	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	11,521,263	6,802,619	2,332,549	29,196,617	1,468,822	(245,179)	976,318	52,053,009
	-	-	-	(1,168,335)	-	-	-	(1,168,335)
	11,521,263	6,802,619	2,332,549	28,028,282	1,468,822	(245,179)	976,318	50,884,674
	-	-	-	4,712,263	-	-	-	4,712,263
43.1.8	-	-	-	(222,236)		-	-	(222,236)
46.4	_		_		_	(1,240,758)	_	(1,240,758)
46.4	-	-	-	-	-	(1,251,047)	-	(1,251,047)
46.5	-	-	-	-	-	-	84,246	84,246
46.2	-	-	-	-	(94,603)	-	-	(94,603)
	-	-	-	4,490,027	(94,603)	(2,491,805)	84,246	1,987,865
 18	792,802	809,769	-	(1,602,571)		-	-	
	-	-	-	14,484	-	-	-	14,484
45	-	-	235,613	(235,613)	-	-	-	-
46.6	-	-	-	359,989	-	-	(359,989)	-
46.4	-	-	-	9,396	-	(9,396)	-	-
46.4	-	-	-	-	-	1,563,275	-	1,563,275
	792,802	809,769	235,613	(1,454,315)	-	1,553,879	(359,989)	1,577,759
	12,314,065	7,612,388	2,568,162	31,063,994	1,374,219	(1,183,105)	700,575	54,450,298
	12,314,065	7,612,388	2,568,162	31,063,994	1,374,219	(1,183,105)	700,575	54,450,298
	-	-	-	6,256,214	-	-	-	6,256,214
43.1.8	-		-	(1,005,704)		-	-	(1,005,704)
46.4	-	-	-	-	-	691,287	-	691,287
46.4	-	-	-	-	-	287,819	-	287,819
	-	-	-	5,250,510	-	979,106	-	6,229,616
18	480,599	501,621	-	(1,155,553)	-			(173,333)
45		-	312,811	(312,811)				
UT	480,599	501,621	312,811	(1,468,364)				(173,333)
 	12,794,664	8,114,009	2,880,973	34,846,140	1,374,219	(203,999)	700,575	60,506,581

STATEMENT OF CHANGES IN EQUITY

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Group

For the Year ended 31 December		Stated	Capital	
		Ordinary Shares - Voting	Ordinary Shares - Non Voting	
	Note	LKR '000	LKR '000	
1 Balance as at 01 January 2022		11,521,263	6,802,619	
Surcharge Tax		-	-	
2 Restated Balance as at 01 January 2022		11,521,263	6,802,619	
Total Comprehensive Income for the Year				
Profit for the Year		-	-	
Other Comprehensive Income (net of tax)				
- Revaluation of Property, Plant and Equipment	46.2	-	-	
- Actuarial Losses on Defined Benefit Obligations	43.1.8	-	-	
 Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income 	46.4	-	-	
- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-	
- Net Movement of Cash Flow Hedge Reserve	46.5	-	-	
- Deferred Tax Impact on Tax Rate Change	46.2	-	-	
3 Total Comprehensive Income for the Year		-	-	
Transactions with Equity Holders, Recognised Directly In Equity				
Cash/Scrip Dividend	18	792,802	809,769	
Unclaimed Dividend Absorbed/(Dividend Paid) in respect of Previous Years		-	-	
Transferred to Statutory Reserve Fund*	45	-	-	
Transferred from Investment Fund Reserve	46.6	-	-	
Net Gains on Disposal of Equity Investments measured at Fair Value through Other Comprehensive Income	46.4	-	-	
Reclassification of Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-	
4 Total Transactions with Equity Holders		792,802	809,769	
Balance as at 31 December 2022 (2+3+4)		12,314,065	7,612,388	
1 Balance as at 01 January 2023		12,314,065	7,612,388	
Total Comprehensive Income for the Year				
Profit for the Year		-	-	
Other Comprehensive Income (net of tax)				
- Revaluation of Property, Plant and Equipment	46.2	· ·	-	
- Actuarial Losses on Defined Benefit Obligations	43.1.8	-	-	
- Net Gains on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-	
- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-	
2 Total Comprehensive Income for the Year			-	
Transactions with Equity Holders, Recognised Directly In Equity				
Cash/Scrip Dividend	18	480,599	501,621	
Transferred to Statutory Reserve Fund*	45	-	-	
		- 480,599 12,794,664	- 501,621 8,114,009	

* Statutory Reserve Fund represents the statutory requirement in terms of the Section 20(1) and (2) of the Banking Act No. 30 of 1988 (5% of net profit after tax).

** FVOCI Reserve - Fair Value through Other Comprehensive Income Reserve.

Notes on pages 178 to 272 form an integral part of these Financial Statements.

Statutory		(Other Reserves		Total	Non-	Total
Reserve Fund *	Earnings	Revaluation Reserve	FVOCI Reserve **	Other Reserves		Controlling Interest	Equity
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2,332,549	29,967,349	2,374,135	(271,212)	1,231,531	53,958,234	1,328,593	55,286,827
-	(1,168,335)	-	-	-	(1,168,335)	-	(1,168,335)
2,332,549	28,799,014	2,374,135	(271,212)	1,231,531	52,789,899	1,328,593	54,118,492
-	4,574,359	-	-	-	4,574,359	3,411	4,577,770
-	-	(9,945)	-	-	(9,945)	(4,159)	(14,104)
-	(221,122)	-	-	-	(221,122)	466	(220,656)
-	-	-	(1,247,267)	-	(1,247,267)	(2,722)	(1,249,989)
-	-	-	(1,251,047)	-	(1,251,047)	-	(1,251,047)
-	-	-	-	84,246	84,246	-	84,246
_	-	(94,821)	-	-	(94,821)	(92)	(94,913)
-	4,353,237	(104,766)	(2,498,314)	84,246	1,834,403	(3,096)	1,831,307
 	.,,	(101,100)	(_,:::;::)	0.1,2.10	.,	(0,000)	.,
-	(1,602,571)	_	-	-	-	(61,089)	(61,089)
_	14,484	_	-	-	14,484	-	14,484
235,613	(235,613)	_	-	-	-	-	-
-	359,989	-	-	(359,989)	-	-	-
-	9,396	-	(9,396)	-	-	-	-
-	-	-	1,563,275	-	1,563,275	-	1,563,275
235,613	(1,454,315)	-	1,553,879	(359,989)	1,577,759	(61,089)	1,516,670
2,568,162	31,697,936	2,269,369	(1,215,647)	955,788	56,202,061	1,264,408	57,466,469
2,568,162	31,697,936	2,269,369	(1,215,647)	955,788	56,202,061	1,264,408	57,466,469
-	6,321,116	-	-	-	6,321,116	79,506	6,400,622
-	-	59,648	-	-	59,648	24,947	84,595
-	(1,009,715)	-	-	-	(1,009,715)	(1,677)	(1,011,392)
-	-	-	694,210	-	694,210	1,222	695,432
-	-	-	287,819	-	287,819	-	287,819
-	5,311,401	59,648	982,029	-	6,353,078	103,998	6,457,076
-	(1,155,553)	-	-	-	(173,333)	(52,362)	(225,695)
312,811	(312,811)	-	-	-	-	-	-
312,811	(1,468,364)	-	-	-	(173,333)	(52,362)	(225,695)
2,880,973	35,540,973	2,329,017	(233,618)	955,788	62,381,806	1,316,044	63,697,850

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STATEMENT OF CASH FLOWS

		Bar	nk I	Group		
For the year ended 31 December		2023	2022	2023	2022	
	Note	LKR '000	LKR '000	LKR '000	LKR '000	
Cash Flows from Operating Activities						
Interest Receipts		110,559,524	78,479,079	110,649,365	78,516,805	
Interest Payments		(61,187,798)	(33,232,226)	(61,175,851)	(33,219,943)	
Net fee and Commission Receipts	9	7,480,177	6,462,018	7,476,765	6,461,207	
Trading Income	10	243,836	196,078	243,836	196,078	
Payments to Employees		(7,582,118)	(7,583,372)	(7,621,765)	(7,626,699)	
VAT and SSCL on Financial Services Paid		(3,829,697)	(2,548,404)	(3,829,697)	(2,548,404)	
Receipts from Other Operating Activities		1,186,759	15,234,119	1,284,808	15,358,584	
Payments on Other Operating Activities		(6,983,425)	(5,861,384)	(7,044,218)	(5,914,487)	
Operating Profit before Changes in Operating Assets and						
Liabilities [Note (a)]		39,887,258	51,145,908	39,983,243	51,223,141	
(Increase)/Decrease in Operating Assets :						
Balances with Central Bank of Sri Lanka	21	9,755,891	(8,058,338)	9,755,891	(8,058,338)	
Financial Assets at Amortized Cost - Loans and Advances		(10,693,387)	(19,115,338)	(10,693,648)	(19,115,466)	
Other Assets		(1,658,330)	(5,063,032)	(1,432,965)	(5,106,545)	
Increase/(Decrease) in Operating Liabilities :						
Financial Liabilities at Amortized Cost - Due to Depositors		40,755,818	49,236,984	40,755,818	49,236,984	
Financial Liabilities at Amortized Cost - Due to Debt Securities						
Holders		(5,045,727)	9,238,188	(5,045,727)	9,238,188	
Financial Liabilities at Amortized Cost - Due to Other Borrowers	39	8,668	188	8,668	188	
Other Liabilities		1,443,681	(7,677,735)	1,138,781	(7,653,888)	
Due to Banks	36	(61,274)	(12,346,357)	(61,274)	(12,346,357)	
Cash Generated from Operating Activities before Income		74 000 500	57.000.400	74 400 707	57 447 007	
Tax		74,392,598	57,360,468	74,408,787	57,417,907	
Income Tax Paid	42	(6,493,992)	(2,138,520)	(6,520,672)	(2,138,520)	
Surcharge Tax Paid		-	(1,168,335)	-	(1,168,335)	
Net Cash Generated from Operating Activities		67,898,606	54,053,613	67,888,115	54,111,052	
Cash Flows from Investing Activities	00	(755.007)	(100.007)	(750.054)	(107.000)	
Purchase of Property, Plant and Equipment	30	(755,207)	(192,907)	(758,251)	(197,090)	
Improvements in Investment Properties	32	-	-	(31,213)	(43,087)	
Proceeds from Sale of Property, Plant and Equipment		7,681	2,359	7,681	2,359	
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka Treasury Bills/Bonds,						
Development Bonds, International Sovereign Bonds and United						
States Treasury Bills Maturing after Three Months [Note (b)]		(1,701,728)	(11,411,748)	(1,623,810)	(11,489,675)	
Net Proceeds From Sale, Maturity and Purchase of Financial						
Investments of Shares and Debentures		108,509	47,606	158,406	58,572	
Reverse Repurchase Agreements Maturing after Three Months		-	-	-	-	
Net Purchase of Intangible Assets	33	(210,914)	(102,672)	(210,914)	(102,672)	
Net Cash Flow from Acquisition of Investment in Subsidiaries		-	-	-	-	
Net Cash Flow from Disposal of Subsidiaries		-	-	-	-	
Dividend Received from Investment in Subsidiaries		106,419	146,065	-	-	
Dividend Received from Other Investments		16,296	16,446	16,296	16,446	
Net Cash Used in Investing Activities		(2,428,944)	(11,494,851)	(2,441,805)	(11,755,147)	
Cash Flows from Financing Activities						
Net Proceeds from the Issue of Ordinary Share Capital		-	-	-	-	
Net Proceeds from the Issue of Other Equity Instruments		-	-	-	-	
Net Proceeds from the Issue of Subordinated Debt	41	5,000,000	-	5,000,000	-	
Repayment of Subordinated Debt	41	(7,182,280)	-	(7,082,280)	_	
Interest Paid on Subordinated Debt		(2,494,469)	(2,589,596)	(2,490,131)	(2,578,780)	
Interest Paid on Subordinated Debt		(2,404,400)	(2,000,000)	(2,400,101)	(2,010,100)	
Dividend Paid to Non-Controlling Interest		_		(49,744)	(57,343)	
Dividend Paid to Shareholders of the Bank		(8)	(886)	(49,744)	(37,343)	
Dividend Paid to Shareholders of Other Equity Instruments		(0)	(000)	(0)	(000)	
Repayment of Principal Portion of Lease Liabilities	31.1.1	(792,238)	(752,565)	(507,121)	(474,202)	
Net Cash Used In Financing Activities	01.1.1	(5,468,995)	(3,343,047)	(5,129,284)	(3,111,211)	
אפר סמאו טשבע זוו דווומוונוווץ אנוועווופא		(0,400,990)	(3,343,047)	(3,123,204)	(3,111,211)	

For the year ended 31 December		Bank		Group	
		2023	2022	2023	2022
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Net Increase in Cash and Cash Equivalents		60,000,667	39,215,715	60,317,026	39,244,694
Cash and Cash Equivalents at Beginning of the Year		83,255,632	44,039,917	83,449,117	44,204,423
Cash and Cash Equivalents at End of the Year		143,256,299	83,255,632	143,766,143	83,449,117
Reconciliation of Cash and Cash Equivalents					
Cash and Cash Equivalents	20	49,034,834	40,402,164	49,034,874	40,402,204
Placements with Banks and Finance Companies	22	22,175,550	1,828,177	22,176,048	1,828,675
Government of Sri Lanka Treasury Bills/Bonds, Development Bonds, International Sovereign Bonds and United States Treasury Bills maturing within Three Months		71,228,765	37,396,742	71,738,071	37,589,689
Securities Purchased Under Resale Agreements maturing		,====,:===	01,000,112	,	01,000,000
within Three Months		817,150	3,628,549	817,150	3,628,549
		143,256,299	83,255,632	143,766,143	83,449,117

Note (a) Reconciliation of Operating Profit before Changes in Operating Assets and Liabilities

		Bank		Group	
For the year ended 31 December		2023	2022	2023	2022
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Profit before Income Tax		10,080,086	6,628,860	10,269,451	6,796,658
Accrual for Interest Income		3,480,963	(7,589,532)	3,480,963	(7,589,532)
Accrual for Interest Expenses		3,343,028	9,704,827	3,050,567	9,420,498
Fair Value Adjustment on Derivative Financial Instruments	10	(443,376)	489,080	(443,376)	489,080
Loss on Revaluation of Foreign Exchange		213,439	10,899,727	213,439	10,899,727
Dividend Income	12	(144,371)	(162,511)	(19,172)	(16,446)
Mark to Market (Gains)/Losses on Financial Assets recognised at	10	(130,994)	153,956	(130,994)	153,956
Fair Value Through Profit/Loss					
Profit from Sale of Property, Plant and Equipment	12	(7,681)	(2,283)	(7,681)	(2,283)
Depreciation of Property, Plant and Equipment	14	651,098	712,206	714,843	777,708
Depreciation of Right-of-Use Assets	14	450,115	460,289	415,452	426,586
Depreciation of Investment Properties	14	-	-	33,674	26,665
Amortisation of Intangible Assets	14	184,071	185,420	184,071	185,420
Impairment Charges on Loans and Advances	13	15,342,429	21,447,905	15,342,429	21,447,905
Amortisation of Pre Paid Staff Cost	15	371,267	302,464	371,528	302,592
Accrual for VAT and SSCL on Financial Services		105,622	225,631	105,622	225,631
Accrual for Employee Retirement Benefits Liability		1,196,415	78,260	1,201,026	78,112
Impairment Charges Other than Loans and Advances	13	1,662,517	4,985,171	1,662,508	4,985,171
Accrual for Leave Encashment Provision	43.2	114,037	3,588	114,037	3,588
Accrual for Other Expenses		924,124	33,254	934,725	33,325
Interest Paid to Debt Security Holders		2,494,469	2,589,596	2,490,131	2,578,780
Operating Profit before Changes in Operating Assets and Liabilities		39,887,258	51,145,908	39,983,243	51,223,141

Note (b) Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka Treasury Bills/ Bonds, Development Bonds, International Sovereign Bonds and United States Treasury Bills Maturing after Three Months

	Ba	nk	Group	
For the year ended 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Treasury Bills	(1,183,554)	(11,842,301)	(1,105,636)	(11,920,228)
Treasury Bonds	(681,475)	(4,042,452)	(681,475)	(4,042,452)
Foreign Currency Denominated Bonds / Bills	163,301	4,473,005	163,301	4,473,005
Total	(1,701,728)	(11,411,748)	(1,623,810)	(11,489,675)

Notes on pages 178 to 272 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Seylan Bank is a Licensed Commercial Bank (LCB) regulated under the Banking Act No, 30 of 1988 and amendments thereto, and listed on Colombo Stock Exchange as a public limited liability company. The Bank was incorporated on 28 August 1987 and domiciled in Sri Lanka. The registered office of the Bank is situated at No. 90, Galle Road, Colombo 03. The shares of the Bank have a primary listing on the Colombo Stock Exchange (CSE).

The consolidated Financial Statements comprises the Bank and its subsidiary (together referred to the Group).

The Bank does not have an identifiable parent of its own. The Bank is the ultimate parent of the Group.

The total number of employees of the Bank as at 31 December 2023 is 3,077 (2022 -3,156). The total number of employees of the Group as at 31 December 2023 is 3,095 (2022 -3,175).

1.1 Principal Activities and Nature of the Business

The Bank

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, travel related services, corporate and retail credit, project financing, lease financing, rural credit, issuing of local and international debit and credit cards, internet banking, mobile banking, money remittance facilities, salary remittance packages, pawning, margin trading, factoring, digital banking services, bancassurance, Islamic banking products and services, dealing in Government Securities, etc.

Subsidiary

The Subsidiary, Seylan Developments PLC, situated at No. 90, Galle Road, Colombo 03, is in the business of development, administration and maintenance of property.

2. Basis of Presentation of Financial Statements

2.1 Statement of Compliance

The Financial Statements of the Bank and Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by The Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 7 of 2007 and Banking Act No. 30 of 1988 and amendments thereto (including the relevant directions) and listing rules of Colombo Stock Exchange (CSE). The details of material accounting policies are disclosed in Note 5.

2.2 Approval of Financial Statements by Directors

The Financial Statements as at 31 December 2023 were authorised for issue by the Board of Directors on 20 February 2024.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items, which are measured on the following alternative basis on each reporting date.

- Derivative financial instruments and non- derivative financial instruments held at Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Investment Properties measured at cost at the time of acquisition and subsequently at fair value.
- Liability for defined benefit obligations is measured as the present value of the defined benefit obligation less the fair value of the plan assets.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Bank's/Group's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise.

There was no change in the Bank's/Group's presentation and functional currency during the year under review.

2.5 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated and separate Statement of Financial Position when, and only when, the Group/Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs / LKASs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.7 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation and to be in compliance with the Circular No. 2 of 2019 issued by Central Bank of Sri Lanka on publication of Annual and Quarterly Financial Statements and other disclosures by licensed banks in order to provide a better presentation.

As explained in Note 17.1 weighted average number of ordinary shares as at 31 December 2022 has been restated in arriving at Earnings per Share (EPS) for 2022.

3. Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs / LKASs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the following notes.

Economic Environment

Despite the improvements in the economic indicators, uncertainties remains in the local economic environment impacting the creditworthiness of the corporates and individuals resulting in non-performing loans and recognition of impairment losses by the Bank.

The Bank's total exposure to Sri Lanka Government Securities denominated in foreign currency is presented in Note 26 to these financial statements. The main uncertainty is estimating the recoverability of the Bank's total exposure to foreign currency denominated Government Securities (Sri Lanka International Sovereign Bonds -SLISBs) relates to the debt service capacity of the country. This in turn is affected by the prevailing macro-economic environment and the negotiations of the Government of Sri Lanka in relation to debt restructuring and refinancing.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and the assessment of the recoverable amount of non-financial assets. The impact of the economic conditions on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(I) Judgements

(a) Classification of Financial Assets

The Group used judgements when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal amount of the outstanding.

(b) Determination of Fair Value of Financial Instruments when there is no Observable Market Data.

As explained in Note 6.2.

(c) Assessment of Credit Risk

The Group also used judgements when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

(d) Determination of Control over Employee Share Option Scheme and Share Trusts

The judgement applied by management over determination of control over Employee Share Option Scheme and Share Trusts is set out in Note 5.1.5.

(e) Determination of Control Over Investee

As explained in Note 28.

(f) Classification of Investment Properties

As Explained in Note 32.

(II) Assumptions and Estimation Uncertainties

Going Concern

The Directors have made an assessment of the Bank's/Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

The Assessment took into consideration the current economic developments in order to make projections for the future based on uncertainties associated with the economic conditions and its potential impact on the economic and business environment in which the Group operates. The main factors that cause uncertainties regarding the application of this principle relate to uncertainties in the local economic environment, despite the improvements in the economic indicators, which in turn impact the creditworthiness of the corporates and individuals resulting in non-performing loans and recognition of impairment losses by the Bank. Based on the above and taking into consideration the Group's capital adequacy and the ability of the Bank to access liquidity mechanism, the Board of Directors are confident that the conditions for the application of the going concern principle for the preparation of the financial statements are met. Refer Note 6.

The Board is not aware of any material uncertainties that may cast significant doubt on the Bank's/Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

The Bank uses estimates when determining impairment of financial instruments: determination of inputs into the Expected Credit Loss (ECL) measurement model including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Measurement of the Fair Value of Financial Instruments with Significant Unobservable Inputs

This includes an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances.

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

Measurement of Defined Benefit Obligations

The costs of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about mortality rates, staff turnover, disability rate, retirement age, rate of discount, salary increments etc.

Goodwill

Impairment testing for Cash Generating Units (CGU) containing goodwill: key assumptions underlying recoverable amounts.

Useful life time

Useful life time of property, plant and equipment, intangible assets and right-ofuse assets - As described In Notes 5.11.6, 5.9.3 and 5.12 respectively.

Contingencies

The management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

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NOTES TO THE FINANCIAL STATEMENTS

4. Changes in Material Accounting Policies and New and Amended Standards

The group has adopted the standards set out below under Notes 4.1(a) and 4.1(b).

4.1(a) Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 01 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences e.g. leases. For leases, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the Group applies the amendments to transactions that occur on or after the beginning of the earliest period presented. The Group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the Statement of Financial Position because the balances qualify for offset under LKAS 12. There was also no impact on the opening retained earnings as at 01 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised.

4.1(b) Material Accounting Policy Information

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 01 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to

the information disclosed in Note 5 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

4. 2 New and Amended Standards and Interpretations

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Group has not early adopted any of the new or amended standards in the preparation of these financial statements.

(i) Classification of liabilities as current or non-current (Amendments to LKAS 1).

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants will become effective from 01 January 2024.

(ii) Lease liability in a sale and leased back (Amendment to SLFRS 16).

The amendments specifically affect sellerlessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as 'lease payments' were excluded. This standard will become effective from 01 January 2024.

- (iii) Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7).
- (iv)Lack of Exchangeability (Amendments to LKAS 21).

5. Material Accounting Policies

The Accounting Policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

The Accounting Policies have been applied consistently by Group entities except for the changes in accounting policies described in Note 4.

5.1 Basis of Consolidation

5.1.1 Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

From 01 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the marketbased measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

5.1.2 Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of the Subsidiary are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The accounting policies of the Subsidiary have been changed when necessary to align them with the policies adopted by the Group. The Group Financial Statements comprise a consolidation of the Financial Statements of the Bank and its subsidiary incorporated in Sri Lanka, Seylan Developments PLC (70.51%).

The total profit/loss of the Subsidiary is included in the Consolidated Income Statement, and the proportion of the profit or loss after taxation applicable to outside shareholders is shown under the heading 'Non-Controlling Interest'. All assets and liabilities of the Bank and its subsidiary are included in the Consolidated Statement of Financial Position. The interest of the outside shareholders in the net assets of the Group is stated separately in the Consolidated Statement of Financial Position within Equity under the heading 'Non-Controlling Interest'.

There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Bank in the form of cash dividends or repayment of loans and advances.

5.1.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the Subsidiary, any non-controlling interest and the other components of equity related to the Subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous Subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments.

5.1.4 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

5.1.5 Employee Share Option Schemes and Share Trusts

The Trusts are treated as external entities due to the uncertainties relating to the formation of the trusts and beneficial ownership.

5.1.6 Non-Controlling Interest

Non-controlling interest is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

5.1.7 Non-Uniform Accounting Policies

The impact of non-uniform accounting policies adopted by the Subsidiary has been adjusted in the Consolidated Financial Statements and disclosed in Note 55.

5.2 Foreign Currency Translations and Balances

Transactions in foreign currencies are translated to Sri Lankan Rupees at the middle rate of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the middle rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Sri Lankan Rupees at the exchange rates ruling at the date that the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The following are the middle rate of exchange as at 31 December 2023.

LKR Value (Per 1 Unit of Each Currency)
413.0945
324.2500
358.9772
2.2922
221.6897

5.3 Statutory Deposit with Central Bank

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain reserves against all deposit liabilities denominated in Sri Lankan Rupees.

5.4 Financial Assets and Financial Liabilities

5.4.1 Recognition and Initial Measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

5.4.2 Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-Recourse Loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (nonrecourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

5.4.3 Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Modification of Financial Assets and Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then

the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial Liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes nonfinancial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

5.4.4 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price -i.e.the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk

and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

5.4.5 Impairment

Recognition of ECL

The Bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- undrawn credit commitments.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial Instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not creditimpaired 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 Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured / Rescheduled Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is creditimpaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 90 days or classified as non- performing under CBSL direction No. 03 of 2008 is considered credit-impaired.

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities;
- debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the FVOCI reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'Other Income' in the Income Statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

5.4.6 Designation at Fair Value Through Profit or Loss

The Group does not have any financial assets or financial liabilities designated as at FVTPL.

5.5 Securities Purchased Under Resale Agreements

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

5.6 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins in hand and highly liquid financial assets with original maturities of three months or less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

5.7 Derivatives Held for Risk Management Purposes and Hedge Accounting

Derivatives are categorised as FVTPL unless they are designated as hedging instruments.

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

All derivatives are initially recognised and subsequently measured at fair value, with all fair value changes recognised in profit and loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

Policy Applicable Generally to Hedging Relationships

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. Currently, the Group has only cash flow hedging relationships.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affected profit or loss, and in the same line item in the Statement of Profit or Loss and Other Comprehensive Income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

The Bank's Risk Management Division closely monitors the hedging activities that are been carried out by the Treasury Front Office for their compliance and effectiveness, as a Risk Management Strategy. The Bank enters into hedging transactions for exposures that pose a material risk to the Bank's financial health or threaten the strategic decisions. These hedging transactions are entered within the Bank's approved limits such as Per Transaction Limits Counter Party Limits, Currency Exposure Limits and Gap Limits, and always study the Market Outlook prior to entering into such transactions.

Fair Value Hedge of Foreign Exchange Risk

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

5.8 Non-Current Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

5.9 Intangible Assets

5.9.1 Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

5.9.2 Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

5.9.3 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is as follows;

	Useful Life (Years)
Seylan Bank PLC (Banking Software)	6
Seylan Developments PLC (Accounting Software)	5

5.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is completed. The Group applies the cost model for investment properties in accordance with LKAS 40 - 'Investment Property'. Accordingly, land classified as investment properties are stated at cost and buildings classified as investment properties are stated at cost, less any accumulated depreciation and any accumulated impairment losses. Fair values of these properties are disclosed in Note 32 to the Financial Statements, Sevlan Developments PLC, the Subsidiary of the Bank, applies the fair value model in accordance with the above standard. Accordingly, investment properties are stated at fair value and an external independent valuation company having an appropriate recognised professional gualification values the portfolio annually. Any gain or loss arising from a change in fair value is recognised in profit or loss. Adjustment for non-uniform accounting policy is reported in Note 55.

When an item of Property, Plant and Equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value are recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised in profit or loss immediately.

If an investment property becomes owneroccupied, it is reclassified as Property, Plant and Equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured, based on fair value model, and is not reclassified as Property, Plant and Equipment during the redevelopment.

A leasehold property under an operating lease is classified and accounted for as an investment property on a property-byproperty basis when the Company holds it to earn rentals or for capital appreciation or both.

5.10.1 Derecognition

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment properties only when there is a change in use.

5.10.2 Investment Property Leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes and changes are disclosed in Note 55 to the Financial Statements.

5.11 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

5.11.1 Recognition and Measurement

Items of Property and Equipment are measured at cost or revaluation, less accumulated depreciation and accumulated impairment losses except for land. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

5.11.2 Cost Model

The Bank applies cost model to Property, Plant and Equipment except for Land and Buildings and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

5.11.3 Revaluation Model

The Bank applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and buildings of the Bank are revalued within five years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in Equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

Reclassification to Investment Property

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

5.11.4 Subsequent Costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

5.11.5 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Income Statement when the item is derecognised.

5.11.6 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term or their useful lives. Land is not depreciated. Depreciation is provided on a straight line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

	Useful Life	
	(Years)	Depreciation Rate
Freehold		
Buildings	40	2.5%
Motor		
Vehicles	5	20%
Computer		
Equipment	6	16.67%
Office		
Machine,		
Equipment,	3 - 10	33 1/3% - 10%
Furniture and		
Fittings		
Freehold		
Buildings on	Remaining le	ased period or 40
Lease hold	years whic	hever is shorter
Lands		

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted appropriately.

The Bank does not require to reinstate fully depreciated assets as per the guidelines issued by The Institute of Chartered Accountants of Sri Lanka on Reinstatement of Fully Depreciated Assets in the Statement of Financial Position, as those are neither critical nor a main revenue generating source.

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Property, Plant and Equipment are recorded at cost of purchase or valuation together with any incidental expenses thereon. The assets are stated at cost or valuation less accumulated depreciation which is provided for on the basis specified below.

Depreciation of common types of assets within the Group is in line with the Group policy disclosed above. Freehold land is not depreciated. The depreciation of other assets that are unique to Seylan Developments PLC is provided on the straight-line method at varying rates per annum based on their useful lives as follows:

	Useful Life (Years)	Depreciation Rate
Furniture and Fittings	10	10%
Office and Other Equipment	05	20%
Tools	03	33.3%

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5.11.7 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation.

5.11.8 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard (LKAS) 23 "Borrowing Costs". Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Other borrowing costs are recognised as an expense.

5.12 Leases

This policy is applied to contracts entered into (or changed) on or after 01 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

(a) Group Acting as a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use

asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the rightof-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the Statement of Financial Position.

Short-Term Leases and Leases of Low-Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) Group Acting as a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

5.13 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU, subject to an operating segment ceiling test.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

5.14 Inventories

Inventory mainly consists of stationery, consumables, pre-printed material, Tikiri gifts and electronic cards. Bank accounts the inventory of stationery, consumables, pre-printed material and Tikiri gifts at first in first out method, and the electronic plastic cards at cost.

5.15 Liabilities and Provisions

5.15.1 Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("Repo"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's Financial Statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

5.15.2 Dividend Payable

Provision for final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and is approved by the shareholders. Interim dividend payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 7 of 2007.

5.16 Employee Retirement Benefits

5.16.1 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank operates an approved Gratuity Fund to facilitate the payments for permanent staff of the Bank.

The Bank's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Government Bonds that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit Method - Sri Lanka Accounting Standard (LKAS 19) - 'Employee Benefits'.

Actuarial gains and losses occur when the actual plan experience differs from the assumed. The Bank recognises the total actuarial gains and losses that arise in calculating the Bank's obligation in respect of the Plan in Other Comprehensive Income during the period in which it occurs.

When the calculations above result in a benefit to the Bank, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Bank if it is realisable during the life of the plan or on settlement of the plan liabilities.

Monthly provision is made by the Bank for the Gratuity Fund, based on a percentage of the basic salary of employees. The percentage of contributions is determined by the same actuary and retirement benefits are provided to all permanent staff. The Bank carries out an actuarial valuation of the Gratuity Fund in December each year to ascertain the full liability of the Fund. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', the method recommended by LKAS 19. The demographic assumptions underlying the valuation are mortality, staff turnover, disability, retirement age specified by the Bank, etc.

As per the Act No. 28 of 2021 Minimum Retirement Age of Workers, the retirement age has been changed to a range of 57 years to 60 years from 55 years. Earlier the Bank's retirement age of employees was increased to 57 years in 2017 from 55 years. These revisions in retirement age has been considered in estimating the provision for defined benefit obligations and leave encashment provision as changes in estimates.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

Changes to Gratuity Policy

The Board has resolved to pay an additional half a month basic salary (last drawn) over and above the statutory gratuity entitlement for each year of service for eligible existing employees and ex-employees who joined before 05 March 2009 and retired/resigned after 05 March 2009 having completed uninterrupted and unblemished service period of ten years in the Bank, subject to the entering into a Memorandum of Settlement which confers on them the said entitlement to the additional payment and giving the right to the Bank to settle the said liability by disposal of the shares in the Share Trust companies.

All employees who joined on or after 05 March 2009 are entitled to receive a Gratuity of half a month basic salary (last drawn) for each completed year of service in terms of Gratuity Act No. 12 of 1983.

The Subsidiary has performed the calculation using the Projected Unit Credit Method based on Sri Lanka Accounting Standard (LKAS) 19 - "Employee Benefits", and the provisions have been made accordingly.

The gratuity liabilities are externally funded through plan assets of the Gratuity Trust Fund.

Other Long-Term Employee Benefits – (Termination Benefit -Leave Encashment)

The Bank's net obligation in respect of long-term employee benefits other than gratuity funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Government Bonds

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that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed using the Projected Unit Credit Method.

Any actuarial gains and losses are recognised in profit or loss in the period in which they arise. The Bank's liability towards the portion of the accumulated leave which is expected to be utilised beyond one year from the end of the reporting period is treated as other long-term employee benefits.

Past Service Cost and Gain/Loss on Settlement

Before determining past service cost or gain or loss on settlements, the Bank remeasures the net defined benefit liability/ (asset) using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.

A plan amendment occurs when an entity introduces, or withdraws a defined benefit plan or changes the benefits payable under an existing defined benefit plan. The past service cost or gain or loss on settlement is calculated net of any related asset transferred and recognised in profit or loss.

Termination Benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.16.2 Defined Contribution Plans

A defined contribution plan is a postemployment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in the Income Statement as and when they are due.

5.16.2 (a) Employees' Provident Fund

The Bank and employees contribute 12% and a minimum of 8% respectively on the salary of each employee to the approved private Provident Fund while the Subsidiary and their employees contribute the same percentages to the Employees' Provident Fund.

5.16.2 (b) Employees' Trust Fund

The Bank contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognised as an expense to the Bank for contribution to ETF is disclosed in the Note 15 to Financial Statements.

5.17 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

5.18 Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

5.19 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Bank's share of any contingencies and capital commitments of a Subsidiary, for which the Bank is also liable severally or otherwise are also included with appropriate disclosures.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

Income Statement

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

When a financial asset becomes credit impaired and regarded as "Stage 3", the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit impaired, the group reverts to calculate interest income on gross basis.

Interest income and expense presented in the Income Statement include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Income Statement. Interest income on FVOCI investment securities calculated on an effective interest basis is also included in interest income.

Fee, Commission and Other Income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on a cash basis.

Net Gains/(Losses) from Trading

This income comprises gains less losses related to trading / FVTPL assets and includes all realised and unrealised fair value changes.

Dividend Income

Dividend income is recognised in the Income Statement when the Bank's right to receive the dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net other operating income.

Accounting for Finance Lease Income

Assets leased to customers to whom the Bank transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

Profits / Losses from Sale of Property, Plant and Equipment

Any profits or losses from sale of property, plant and equipment are recognised in the period in which the sale occurs and is classified as net other operating income.

Profits / Losses from Sale of Investment Properties

Any profits or losses on retirement or disposal of investment properties are recognised in the month of retirement or disposal.

Rental Income

Rental income is recognised on an accrual basis.

5.21 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income. According to Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate applicable for companies have been changed from 24% to 30% with effect from 01 July 2022. However, if dividend income received not subject to Advance Income Tax (AIT), such shall be taxed at the maximum rate of 15% with effect from 01 October 2022.

5.21.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

5.21.2 Deferred Tax

Deferred taxation is a methodology identifying the temporary differences of income tax computation and accounting for the same to bring out true and fair view of an organisation. It accounts for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities which is the amount attributed for those assets and liabilities for tax purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the rates enacted or substantively enacted by the reporting date.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

- Any permanent differences which are strictly prescribed by the tax statutes or any procedural guidelines.
- Any temporary difference not specifically recognised by an Act or an Act substantively enacted.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax asset is created on foreseen futuristic realisation of a tax deduction, which is taxed in the current period, and vice versa, a deferred tax liability shall be created for a foreseen futuristic realisation of a tax payment, which is not taxed in the current period. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced or increased in accordance with the existence of taxing probabilities in the future.

Details of the deferred tax assets and liabilities as at the reporting date are given in Notes 16.4 and 34 including the sub notes. Deferred tax impact of items that are recognised in OCI/directly in equity are also recognised in OCI/directly in equity.

Bank has already recognised the deferred tax liability for the revaluation surplus of land in accordance with the related tax provisions introduced by the Inland Revenue Act No. 24 of 2017 as amended by considering all the lands as business assets. The total related deferred tax charge was recognised in the Other Comprehensive Income from the year 2017 onwards.

5.21.3 Advance Income Tax (AIT) on Dividends

Dividends distributed out of profits after tax attract 14% till 30 September 2022 and 15% with effect from 01 October 2022 tax deduction in the hands of the dividend recipient. No Advance Income Tax (AIT) was mandatorily imposed until 30 September 2022 whereas 15% AIT (similar to Withholding Tax) is mandatorily imposed on dividends distributed with effect from 01 January 2023. Therefore, any dividends distributed after 01 January 2023 shall be subject to deduction of 15% AIT where shareholders shall receive dividends net of AIT. AIT deducted on dividends shall be final tax and will attract no further tax in the hands of the shareholders.

With the introduction of the Inland Revenue Amendment Acts No. 10 of 2021 and No. 45 of 2022, any dividends paid out of the dividends received, shall be exempted

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from income tax net of the cost of funds. In addition, if a resident company pays the dividend to a non-resident person (including a company) such would be totally exempted from income tax.

5.21.4 Value Added Tax on Financial Services

The value base for Value Added Tax (VAT) for the Bank is the adjusted accounting profit before tax, emoluments of employees and economic depreciation computed for the owned fixed assets. The total value addition arrived for the entire bank has to be apportioned in accordance to the applicable turnover; turnover has to be quantified in line with the turnover applicable for general VAT and VAT on Financial Services. The Value Addition Attributable for Financial Services" shall be derived with the application of the turnover ratio distinguishing general VAT and VAT on Financial Services. In order to derive the total VAT on Financial Services liability for a particular period, the tax fraction 18/120.5 with effect from 01 October 2022 (18/118 applicable until 30 September 2022) has to be applied accordingly on the value addition attributable to financial services.

5.21.5 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) Act. No 25 of 2022, has been passed in the parliament imposing a new levy on the turnover of persons. This has some similarities to the former Nation Building Tax (NBT), which was abolished from 01 November 2019. The SSCL comes into operations with effect from 01 October 2022. Since SSCL is a turnover based direct tax, it has two tax bases.

- 1. Value Addition attributable to financial services. (The same value addition derived to compute the VAT on Financial services as explained under 5.21.4 above)
- 2. Turnover liable for General VAT (Turnover not liable for financial services).

The Value Addition Attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing general VAT and VAT on Financial Services. Tax fraction 2.5/120.5 is applied in computing SSCL.

In addition, turnover, liable for General VAT too shall be chargeable with SSCL. Bank is required to pay SSCL on the General VAT liable turnover at the rate of 2.5%.

5.21.6 Crop Insurance Levy

Section 14 of the Finance Act No. 12 of 2013 impose a crop insurance levy on institutions under the purview of:

- Banking Act No. 30 of 1988
- Finance Companies Act No. 78 of 1988
- Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, Bank is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 01 April 2013.

5.21.7 Advance Income Tax (AIT) and Withholding Tax (WHT)

Advance Income Tax (AIT) which has similar attributes to the Withholding Tax has been re-introduced with the introduction of Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01 January 2023. AIT shall be charged on the interest paid or credited from all interest bearing deposit accounts denominated in Sri Lankan Rupees at the rate of 5% on such interest payments or credits. Interest received on interest bearing foreign currency accounts, "Special Deposit Accounts" and Diplomatic accounts are exempted from AIT.

Withholding Tax has been reintroduced on Services Fees paid to Individuals and the Rent paid to any person under the Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01 January 2023. If any individual including a sole proprietorship is paid with a service related fees as provided under the Section 85 - (1C) of the Inland Revenue (Amendment) Act No. 45 of 2022, the Withholding Tax agent or the service recipient has to deduct Withholding Tax at the rate of 5% on the total gross amount if such payment exceeds LKR 100,000.00 per calendar month.

Withholding Tax has re-introduced on Rent expenses paid to any person if such aggregate gross rent income surpasses or equal to LKR 100,000.00 for a calendar month at the rate of 10%.

5.22 Earnings per Share

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Weighted average number of ordinary shares has been calculated as per LKAS 33 considering the theoretical ex-rights value per share and the adjustment factor applicable for Rights Issue.

5.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group comprises the following major operating segments - Banking, Treasury and Property/Investments.

5.24 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the LKAS 7 "Statement of Cash Flows".

For the purpose of the Statement of Cash Flows, cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their value, and are used by the Bank in the management of its short-term commitments.

5.25 Sri Lanka Deposit Insurance Scheme

In terms of the Banking Act Direction No. 5 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments there to all Licensed Commercial Banks are required to insure their deposit liabilities in Sri Lanka Deposit Insurance Scheme operated by the Central Bank of Sri Lanka. Deposits to be insured include demand deposits, time deposits including certificates of deposits and savings deposits other than following:

- Deposit liabilities to member institutions
- Deposit liabilities to Directors, Key Management Personnel and other related parties as defined in Banking Act Direction No. 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

- Vostro accounts of entities in the member institutions
- Deposit liabilities of overseas branches
- Promissory notes

Each member Institutions shall pay a premium calculated on the total amount of deposits inclusive of any interest accrued, excluding the deposit liabilities stated above, as at the end of the quarter/month as may be determined by the Central Bank of Sri Lanka, from time to time.

Banks are required to pay a premium of 0.10% on eligible deposit liabilities if the Bank maintains a capital adequacy ratio of 14% or above as at the end of the immediately preceding financial year or a premium of 0.125% on eligible deposit liabilities for all other Licensed Commercial Banks calculated on the total amount of eligible deposits as at the end of the quarter within a period of 15 days from the end of the quarter.

5.26 Reserves

5.26.1 Statutory Reserve Fund

The Statutory Reserve Fund is maintained as required in terms of the section 20 (1) and (2) of the Banking Act No. 30 of 1988. Accordingly, the Bank should transfer a sum equivalent not less than 5% out of net profit after taxation but before any dividend is declared to the Statutory Reserve Fund until the Statutory Reserve Fund is equal to 50% of the paid-up capital.

5.26.2 Capital Reserve

This reserve has been created in 1991 and the Debenture Redemption Reserve Fund was transferred to Capital Reserve in 2004.

5.26.3 Revaluation Reserve

This reserve has been created on revaluation of Land and Buildings of the Bank.

5.26.4 General Reserve

Consist of LKR 25 Mn. transferred in 1995 to General Reserve, LKR 2.7 Mn. transferred from Bad Debts Reserve and LKR 6 Mn. transferred from Contingency Reserve in 2002 to General Reserve.

5.26.5 Investment Fund Reserve

As per the Value Added Tax (Amendment) Act No. 09 of 2011 and Inland Revenue (Amendment) Act No. 22 of 2011, Bank transferred 8% on Value Addition attributable to Financial Services and 5% of taxable profits, from retained profits to Investment Fund Reserve with effect from 01 January 2011. Operations of the investment fund account ceased with effect from 01 October 2014. With effect from 01 July 2014 guidelines on the operations of investment fund account shall not be applicable for the utilisation of capital funds recovered through loan repayments and maturity proceeds of long term Government Securities. Hence the Bank is required to reduce the value of the fund by an amount equivalent to capital funds recovered from loans and proceeds received from Government Securities at maturity with effect from 01 July 2014.

5.26.6 Fair Value Through Other Comprehensive Income Reserve

This represent the fair value changes of Available for Sale Investments prior to 01 January 2018 and fair value changes of Financial assets measured at fair value through other comprehensive income (FVOCI) since 01 January 2018.

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio" which provides a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVTOCI) to Amortised cost.

The Bank has adopted the above SoAT and re-classified its Debt Portfolio from Fair Value Through Other Comprehensive Income (FVOCI) to Amortised Cost (AC) with effect from 01 April 2022.

5.26.7 Cash Flow Hedge Reserve

This has been created to account fair value changes of designated hedging instruments under cash flow hedges.

5.27 Events after the Reporting Period

Events occurring after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue.

All material and important events which occur after the reporting date have been considered and disclosed in Note 51 to the Financial Statements or adjusted as applicable.

6. Financial Risk Management

Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk

- Market risk
- Operational risk

6.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee, the Board Audit Committee and the Board Credit Committee. Board Integrated Risk Management Committee consists of nonexecutive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as the Executive Market and Operational Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and the Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on financial assets measured at fair value through profit or loss is managed independently and information thereon is

disclosed below. The market risk in respect of changes in fair value in financial assets measured at fair value through profit or loss arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee. Bank Credit Risk Monitoring Unit reporting to the Executive Credit Risk Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

 Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

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- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types.
 Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment / expected credit losses held by the Bank against those assets. This table does not include off-balance sheet commitments (undrawn balances) and contingent facilities.

Credit Quality Analysis

	2023				2022
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets at Amortised Cost : Loans and Adva	inces				
Gross Loans and Advances	401,810,674	24,226,722	71,167,813	497,205,209	490,431,884
Expected Credit Loss Allowance	(3,170,520)	(7,884,411)	(48,617,808)	(59,672,739)	(46,212,376)
Total Net Loans and Advances	398,640,154	16,342,311	22,550,005	437,532,470	444,219,508
Financial Assets at Amortised Cost : Debt and Other	Instruments				
Government Securities - Treasury Bills	14,715,608	-	-	14,715,608	6,052,565
Government Securities - Treasury Bonds	72,594,101	-	-	72,594,101	85,560,849
Sri Lanka Development Bonds	-	-	-	-	2,583,970
Sri Lanka International Sovereign Bonds	-	12,094,919	-	12,094,919	12,842,058
United States - Treasury Bills	9,670,956	-	-	9,670,956	-
Quoted Debentures	213,321	-	-	213,321	294,732
Unquoted Debentures	538,188	-	-	538,188	595,383
Securities Purchased under Resale Agreements	817,150	-	-	817,150	3,628,549
Total Financial Investments Measured at Amortised Cost	98,549,324	12,094,919	_	110,644,243	111,558,106
Expected Credit Loss Allowance	(375)	(6,289,358)	-	(6,289,733)	(5,399,228)
Net Financial Investments Measured at Amortised Cost	98,548,949	5,805,561	-	104,354,510	106,158,878
Cash and Cash Equivalents (Balances with Banks)					
Balances with Local Banks	546,389	-	-	546,389	548,410
Balances with Foreign Banks	36,191,728	-	-	36,191,728	28,981,507
Total Balances with Banks	36,738,117	-		36,738,117	29,529,917
Expected Credit Loss Allowance	(183,691)	-	-	(183,691)	(147,650)
Net Balances with Banks	36,554,426	-		36,554,426	29,382,267
Placements with Banks and Finance Companies					
Term Deposits with Banks	22,175,550	-	-	22,175,550	1,828,177
Total Placements with Banks and Finance					
Companies	22,175,550	-		22,175,550	1,828,177
Expected Credit Loss Allowance	(110,878)	-	-	(110,878)	(9,141)
Net Placements with Banks and Finance Companies	22,064,672	-		22,064,672	1,819,036

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in expected credit loss allowance.

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		2023	
	Impact: Increase/ (Decrease)		
	Stage 1	Stage 2	Stage 3
	LKR '000	LKR '000	LKR '000
Financial Assets at Amortised Cost : Loans and Advances - Expected Credit Loss	· · ·		
Increase in Lending Portfolio (Including Rescheduled/Restructured/Stress Tested			
Facilities)	1,882,767	1,634,830	2,928,780
Loans and Advances Recoveries	(781,836)	(316,853)	(3,816,717)
Bucket Net Movements and Changes in Loss Rates	(4,112,492)	150,497	16,731,988
Increase in Interest Accrued on Impaired Loans and Advances	-	-	1,041,465
Financial Assets at Amortised Cost : Debt and Other Instruments			
Increase in Expected Credit Allowance for Foreign Currency Denominated Instruments			
due to Country Downgrading	257	1,519,452	-
Cash and Cash Equivalents (Balances with Banks)			
Increase in Carrying Amount of Balances	36,041	-	-
Placements with Banks and Finance Companies			
Increase in Investments in Placements with Banks and Finance Companies	101,737	-	-
Undrawn Credit Commitments and Financial Guarantees			
Increase in Undrawn Commitments and Financial Guarantees and Increase in Loss Rates	(322,170)	55,606	618,840
Other Receivables			
Carrying Balances Fully Settled	-	-	(347,246)

Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 5.4.5.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information.

The Bank uses a backstop of 30 days past due for determining whether there is a significant increase in credit risk.

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Modified risk elevated sectors are tourism, construction and sub sectors of whole sale and retail trade such as vehicles, parts and accessories and building materials and sub sector of manufacturing such as textile and apparel.

Incorporation of Forward-Looking Information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The key drivers for credit risk GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Collateral Held and other Credit Enhancement

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

The table below sets out principal types of collateral and their approximate collateral percentages that are held against different types of financial assets.

Stage-wise Analysis of Collateral held against Loans and Advances

The following table sets out the principal types of collateral held by the Bank / Group against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

	2023	2022 Amortised Cost	
	Amortised Cost		
	LKR '000	LKR '000	
Stage 1			
Cash and Cash Equivalents	56,603,047	44,210,472	
Gold	32,189,618	28,985,218	
Mortgages	102,180,313	93,770,387	
Motor vehicles	18,793,006	17,593,207	
Other*	123,027,587	113,405,866	
Unsecured	69,017,103	90,111,413	
	401,810,674	388,076,563	
Stage 2			
Cash and Cash Equivalents	971,356	722,151	
Gold	856,679	791,532	
Mortgages	5,727,971	9,013,320	
Motor vehicles	2,563,768	2,451,926	
Other*	12,777,856	23,329,092	
Unsecured	1,329,092	4,370,001	
	24,226,722	40,678,022	
Stage 3			
Cash and Cash Equivalents	941,653	612,918	
Gold	84,913	374,235	
Mortgages	42,722,415	32,343,046	
Motor vehicles	2,272,118	3,562,327	
Other*	12,664,984	6,292,993	
Unsecured	12,481,730	18,491,780	
	71,167,813	61,677,299	

*Other securities include quoted and unquoted shares, factoring agreements, personal guarantees and corporate guarantees

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Percentage of Exposure that is Subject to an Arrangement that Requires Collateralisation	
		2023	2022
Derivative Financial Instruments	None		-
Loans and Advances to Banks			
Securities Purchased under Resale Agreements	Marketable Securities	100%	100%
Placements with Banks and Finance Companies	None	-	-
Loans and Advances to Retail Customers			
Mortgage Lending	Residential Property	100%	100%
Credit Cards	None	-	-
Personal Loans	None/Guarantors	-	-
Loans and Advances to Other Customers			
Finance Leases	Motor Vehicles and Equipment	100%	100%
Other Lending to Other Customers*	Commercial Property, Floating Charges Over		
	Other Loans and Advances	83%	78%
Securities Purchased under Resale Agreements	Marketable Securities	100%	100%
*Based on the exposure covered with collateral.			

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*Based on the exposure covered with collateral.

Details of financial and non-financial assets obtained by the Bank as at 31 December 2023 by taking possession of collateral held as security (foreclosed) against loans and advances as well as calls made on credit enhancements and held as at the year-end are shown below.

	2023 24)22	
Foreclosed Properties	Loans and Advances	Forced Sale Value of Foreclosed Collateral	Loans and Advances	Forced Sale Value of Foreclosed Collateral
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January	5,506,285	8,141,482	5,399,630	8,395,553
Additions During the Year	3,505,722	3,318,281	1,213,152	1,069,250
Disposal During the Year	(1,233,727)	(533,201)	(1,106,497)	(918,550)
Valuation Changes	-	205,096	-	(404,771)
Balance as at 31 December	7,778,280	11,131,658	5,506,285	8,141,482

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.

Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by industry and by geographic location.

An analysis of concentrations of credit risk of loans and advances by industry at the reporting date is shown in Note 25.1.3 to the Financial Statements. Credit related off-balance sheet commitments are disclosed in Note 47 to the Financial Statements.

Concentration by location for loans and advances, contingent liabilities and commitments are measured based on the location of the Branch entity holding the asset, which has a high correlation with the location of the borrower. These are given in Geographical Analysis.

The table below shows the carrying amounts of the Bank's exposures to other financial instruments.

	2023	2022
	LKR '000	LKR '000
Financial Assets measured at Fair Value through Profit or Loss - Measured at Fair Value	27,753,867	17,781,867
Derivative Financial Instruments	88,022	519,189
Investment Securities :		
Financial Assets measured at Fair Value through Other Comprehensive Income	40,048,711	17,136,286
Financial Assets at Amortised Cost - Debt and Other Instruments	104,354,510	106,158,878

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of Liquidity Risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses to the Bank.

Bank Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Bank Treasury then maintains a portfolio of shortterm liquid assets, largely made up of shortterm liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units and subsidiary are met through short-term loans from Bank and Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank relies on deposits from customers and banks, and debt securities and subordinated liabilities as its primary sources of funding. While the Bank's debt securities and subordinated liabilities have maturities of five years, deposits from customers and banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk and the Bank actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose, liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net liquid assets to liabilities from customers at the reporting date and during the year were as follows:

	2023		202	2
	DBU FCBU		DBU	FCBU
	%	%	%	%
At 31 December	38.51	23.28	25.16	25.02
Average for the year	34.06	25.77	23.23	22.99
Maximum for the year	39.38	29.17	26.29	25.02
Minimum for the year	27.59	23.28	19.44	21.05

Maturity analysis for the financial liabilities is shown below with their undiscounted contractual cash flows over the future periods.

Financial Liabilities – 2023 Bank

Less than 3 Months	3 Months to 1 Year	1 -5 Years	More than 5 Years	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
1,172,022	5,385,793	7,870,451	-	14,428,266
255,173,481	319,491,568	44,971,351	15,233,163	634,869,563
581,036	6,469,803	18,643,000	-	25,693,839
6,899,604	22,309	-	-	6,921,913
79,167	206,354	1,077,858	4,046,039	5,409,418
32,269	-	-	-	32,269
	3 Months LKR '000 1,172,022 255,173,481 581,036 6,899,604 79,167	3 Months to 1 Year LKR '000 LKR '000 1,172,022 5,385,793 255,173,481 319,491,568 581,036 6,469,803 6,899,604 22,309 79,167 206,354	3 Months to 1 Year Years LKR '000 LKR '000 LKR '000 1,172,022 5,385,793 7,870,451 255,173,481 319,491,568 44,971,351 581,036 6,469,803 18,643,000 6,899,604 22,309 - 79,167 206,354 1,077,858	Less than 3 Months 3 Months to 1 Year 1 -5 Years than 5 Years LKR '000 LKR '000 LKR '000 LKR '000 1,172,022 5,385,793 7,870,451 - 255,173,481 319,491,568 44,971,351 15,233,163 581,036 6,469,803 18,643,000 - 6,899,604 22,309 - - 79,167 206,354 1,077,858 4,046,039

Financial Liabilities - 2022 Bank

	Less than 3 Months	3 Months to 1 Year	1 -5 Years	More than 5 Years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Non-Derivative Liabilities					
Due to Banks and Other Borrowers	562,841	-	14,139,162	-	14,702,003
Financial Liabilities at Amortised Cost due to Depositors	213,064,805	313,280,948	44,088,080	14,330,088	584,763,921
Debt Securities Issued	4,619,129	4,256,853	15,981,775	2,317,227	27,174,984
Financial Liabilities at Amortised Cost due to Debt Securities Holders	12,008,951	26,600	-	-	12,035,551
Lease Liabilities	95,303	255,609	1,316,152	3,434,183	5,101,247
Derivative Liabilities					
Derivative Financial Instruments	906,813	-	-	-	906,813

To manage the liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and Government Securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

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Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	202	2023	
	Carrying Value	Fair Value	
	LKR '000	LKR '000	
Cash and Cash Equivalents *	48,851,143	48,851,143	
Placements with Banks and Finance Companies	22,064,672	22,064,672	
Balances with Central Bank of Sri Lanka *	7,028,281	7,028,281	
Treasury Bills/ Bonds net of Repos	169,029,459	162,555,111	
Bills Purchased *	3,943,841	3,943,841	
Total Liquidity Reserve	250,917,396	244,443,048	

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

Liquidity Coverage Ratio

The Bank has a Liquidity Coverage Ratio (LCR) as defined by the regulator. The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30-day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in

excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

Commencing from 01 April 2015, all commercial banks maintained Liquidity Coverage Ratios (LCR) as prescribed by CBSL in respect of Rupee Liquidity Minimum Requirement for local currency operations and All Currency Liquidity Minimum Requirement for the overall operations effective from 01 January 2019 onwards 100%. The following were the Liquidity Coverage Ratios (%) of the Bank as at 31 December:

	2023	2022
Rupee Liquidity Requirement for Local Currency Operations	355.16	280.14
All Currency Liquidity Requirement for the Overall Operations	338.42	175.10

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31 December:

	2023					2	022	
	Encumb	oered	Unencumbered		Encumbered		Unencumbered	
	Pledged as Collateral LKR '000	Other	Other	Total LKR '000	Pledged as Collateral LKR '000	Other LKR '000	Other LKR '000	Total LKR '000
On the second On the	LKN UUU	LKR '000	LKR '000	LKN 000	LKN UUU	LKN UUU	LNN UUU	LKN 000
Cash and Cash Equivalents	-	-	48,851,143	48,851,143	-	-	40,254,514	40,254,514
Placements with Banks and Finance Companies	-	-	22,064,672	22,064,672	-	-	1,819,036	1,819,036
Financial Assets Recognised through Profit or Loss - measured at Fair Value	897,383*	-	26,856,484	27,753,867	-	-	17,781,867	17,781,867
Financial Assets at Amortised Cost - Loans and Advances	-	-	437,532,470	437,532,470	_	-	444,219,508	444,219,508
Financial Assets measured at Fair Value through Other Comprehensive Income / Financial Assets at Amortised Cost	5,842,235*	_	138,560,986	144,403,221	12,936,380*		110,358,784	123 205 164
	0,042,200	-			12,930,300	-		
Other Assets	-	-	37,380,062	37,380,062	-	-	45,435,555	45,435,555
Total Assets	6,739,618		711,245,817	717,985,435	12,936,380	-	659,869,264	672,805,644

* Financial asset values pledged against Repos.

Contingency Funding Plan

The Bank has put in place a comprehensive Contingency Funding Plan (CFP) to be used during a liquidity crisis to endure adverse situations.

The CFP helps to monitor liquidity risk, ensure that an appropriate amount of liquid assets are maintained and ensure funding requirements can be met at various scenarios, and manage access to funding sources.

In a stress situation, management has little time to plan its strategy, and as such the management understands importance to have a welldeveloped contingency liquidity funding plan prior to a stress occurring.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

		2023		2022			
	Carrying	Trading	Non-Trading	Carrying	Trading	Non-Trading	
	Amount	Portfolios	Portfolios	Amount	Portfolios	Portfolios	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Assets Subject to Market Ris	k						
Financial Assets recognised							
through Profit or Loss -							
measured at Fair Value	27,753,867	27,753,867	-	17,781,867	17,781,867	-	
Derivative Financial							
Instruments	88,022	88,022	-	519,189	519,189	-	
Placements with Banks and							
Finance Companies	22,064,672	-	22,064,672	1,819,036	-	1,819,036	
Financial Assets at Amortised							
Cost - Loans and Advances	437,532,470	-	437,532,470	444,219,508	-	444,219,508	
Financial Assets measured							
at Fair Value through Other				17 100 000		17 100 000	
Comprehensive Income	40,048,711	-	40,048,711	17,136,286	-	17,136,286	
Securities Purchased under	017.450		047.450	0.000 5.40		0.000 5.40	
Resale Agreements	817,150	-	817,150	3,628,549	-	3,628,549	
	528,304,892	27,841,889	500,463,003	485,104,435	18,301,056	466,803,379	
Liabilities Subject to Market	Risk						
Derivative Financial	liisk						
Instruments	32,269	32,269		906,813	906,813	-	
Due to Depositors	590,698,330	-	590,698,330	547,315,755	-	547,315,755	
Debt Securities Issued	19,967,701	-	19,967,701	21,617,455		21,617,455	
Due to Banks	12,096,756		12,096,756	12,158,030	_	12,158,030	
Due to Other Borrowers	16,151	-	16,151	7,483		7,483	
Due to Debt Securities	10,131		10,101	7,400		7,403	
Holders	6,862,998	_	6,862,998	11,944,370	_	11,944,370	
	0,002,000		0,002,000	11,011,070		11,011,070	

Management of Market Risk

629,674,205

Market Risk Management reporting creates transparency on the risk profile and facilitates understanding of core market risk drivers to all levels in the Bank. The Management and Board Committees receives regular reporting, as well as ad hoc reporting on market risk and liquidity risk and the impact on capital and earnings through stress testing. The Risk Committees Executive Market and Operation Risk Management Committee (EMORMC) and Asset and Liability Committee (ALCO) receives risk information at a number of frequencies, besides the monthly and quarterly reporting.

629,641,936

593,949,906

906,813

593,043,093

Additionally, Market Risk Management produces daily and weekly Market Risk specific reports and daily limit utilisation reports for the risk exposures generated through Treasury and other business units.

32,269

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by the Bank's Treasury Department, and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

The overall authority for market risk is vested in ALCO. The Bank's Market Risk Management Unit is responsible for the development of detailed market risk management policies which is overseen by the EMORMC or ALCO and is subject to review by BIRMC and approved by the Board.

Managing Market Risk

Sri Lanka continued to face a multidimensional slowdown in the economy during the year as during the preceding year. The banking industry faced unprecedented challenges as a result of fiscal and monetary stimulus. Due to the after effects of the COVID 19 pandemic and economic crisis, escalating interest rates and exchange rates and inflationary pressure; the banking industry as a whole was under immense stress managing the domestic economic activities during the year 2023. The effects of various policies and regulations, which were put into place from time to time to mitigate the adverseness of the economic conditions continued through 2023. Monetary Policy decisions were taken in order to maintain price stability and liquidity flows. Thus the Central Bank, during the year, took a number of measures to support the revival of domestic economic activities in the context of the battle with inflationary pressure and external and internal pressure that the country faced throughout the year. This lead to the banking industry preparing themselves to brace the possible impact of a Domestic Debt Restructure. As a result, the Bank also while facing many challenges to manage market and liquidity risk, prudently managed these uncertainties and was able to overcome the many market constraints that were met due to these adverse economic conditions.

Taking into consideration the above; the Bank having employed a range of tools to manage market risk, looks in to the following when monitoring and managing market risk.

Non-trading Market Risk

Non trading market risk arises primarily from outside activities of trading units, in the banking book and from certain off-balance sheet items. Significant market risk factors the Bank is exposed to and are overseen by risk management committees are:

- Interest rate risk (including risk embedded in behavioural patterns for certain product types)
- Market risks from off-balance sheet items such as foreign exchange risk of the hedging instruments such as SWAPs.

Interest Rate Risk

Typically, interest rate risk is split into two components: traded interest rate risk and non-traded interest rate risk. While the traded interest rate risk is relevant to trading activities and its affects, the latter is often referred to as interest rate risk on the balance sheet or to the banking book and arises from the Banks core banking activities.

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book is the risk to both the Bank's capital and earnings, arising from movements in interest rates, which affect the banking book exposures. This includes maturity mis-matches of the interest bearing assets and liabilities, which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves.

IRRBB is considered as an essential tool to monitor the risk of product repricing and the impact it has on Earnings as well as Equity. In this sense the Bank manages the Interest Rate Risk in the Banking Book (IRRBB) exposures using both Earnings at Risk (EAR) and Economic Value of Equity (EVE) measures. Economic value based measures look at the change in economic value of assets, liabilities and off-balance sheet exposures in the banking book resulting from interest rate movements, independent of the accounting treatment. Thereby the Bank measures the change in Economic Value of Equity (EVE) of the banking book under standard scenarios as defined by Basel Committee on Banking Supervision. The Bank's primary focus is to achieve the desired overall interest rate profile which may change over time based on management's short and longer term view of interest rates and economic conditions.

The interest rate position of the Bank is that the duration of the liabilities to some extent is lesser than the duration of the assets in the shorter tenors of the repricing profile. Given this mismatch, under normal circumstances increasing interest rates will have a negative impact on the interest income of the Bank. On the other hand, as liabilities reprice more quickly than assets, this would then support the Banks' net interest income.

The Bank manages the interest rate risk primarily through interest sensitive assets and liability repricing gap analysis, which distributes rate sensitive assets and liabilities into the relevant repricing maturity buckets. Board defined limits are in place for interest rate gaps and positions, which are monitored on a periodic basis to ensure compliance to the prescribed limits. The interest rate risk is also managed using the repricing maturity mis-match gaps by using Funds Transfer Pricing (FTP) techniques to take advantage in optimal gains. Through the FTP; portfolios are hedged; and the Bank ensures that interest rate risk between lending and funding in each time bucket remains low. The majority of the Bank's interest rate risk, therefore, stems from the unhedged portion of assets and liabilities.

The Treasury division is delegated to manage the interest rate risk centrally on an ongoing basis, where Risk Management Unit acts as the second line of defence on an independent oversight function.

Earnings-based measures look at the expected change in Net Interest Income (NII), compared to some defined benchmark scenarios, over a defined time horizon resulting from interest rate movements. Thereby the Bank measures the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift to various interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) and a 200 bp parallel fall or rise in all yield curves over a period of 12 months' horizon.

Maturity Gaps

The Management and Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Risk Committee. At least annually the Board Risk Management Committee reviews and approves the limits which are applied to the Bank to measure and control liquidity risk as well as the long-term funding plan.

While such risk monitoring is mainly based on the stock approach through ratios and risk levels approved as per the risk appetite of the Bank, another method of managing and monitoring liquidity risk is using the flow approach tools which is the popular maturity mis-match or Maturity Gap analysis. A summary of the Bank's total assets and liabilities, based on the respective Cash flow/ Maturity dates together with the maturity gaps as at 31 December 2023 are given below.

Maturity Gaps

	Carrying Amount	Less than 3 Months	3-12 Months	1-5 Years	More than 5 Years
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
31 December 2023					
Interest Earning Assets					
Placements with Banks and Finance Companies	22,064,672	22,064,672	-	-	-
Loans and Advances	437,532,470	216,367,004	95,245,373	107,005,057	18,915,036
Financial Assets recognised through Profit or Loss / Financial Assets at Amortised Cost – Debt and Other Instruments / Financial Assets measured at Fair Value through Other Comprehensive Income excluding Equities	169,537,083	71,248,274	39,810,607	48,418,397	10,059,805
Securities Purchased under Resale Agreements	817,150	817,150	-	-	-
Balances with Banks	32,396,638	31,815,850	580,788	-	-
Non-Interest Earning Assets	55,637,422	39,940,965	4,975,221	206	10,721,030
Total Assets	717,985,435	382,253,915	140,611,989	155,423,660	39,695,871
Interest Bearing Liabilities					
Due to Depositors	550,452,107	211,819,392	296,685,899	31,791,172	10,155,644
Due to Banks and Other Borrowers	12,112,907	1,162,539	4,896,175	6,054,193	-
Due to Debt Securities Holders	6,862,998	6,841,827	21,171	-	-
Debt Securities Issued	19,967,701	563,789	6,079,912	13,324,000	-
Group Balances Payable	115,548	86,548	29,000	-	-
Lease Liabilities	5,409,418	79,167	206,354	1,077,858	4,046,039
Non-Interest Bearing Liabilities	123,064,756	62,547,099	11,076	-	60,506,581
Total Liabilities	717,985,435	283,100,361	307,929,587	52,247,223	74,708,264
Gaps	-	99,153,554	(167,317,598)	103,176,437	(35,012,393)

	Carrying	Less than 3	3-12	1-5 Voore	More than
	Amount	Months	Months	Years	5 Years
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
31 December 2022					
Interest Earning Assets					
Placements with Banks and Finance Companies	1,819,036	1,819,036	-	-	-
Loans and Advances	444,219,508	218,647,950	90,536,981	114,619,166	20,415,411
Financial Assets recognised through Profit or Loss / Financial Assets at Amortised Cost – Debt and Other Instruments / Financial Assets measured at Fair Value through Other Comprehensive Income excluding Equities	135,947,861	37,446,605	40.332.471	45.182.183	12,986,602
Securities Purchased under Resale Agreements	3,628,549	3,628,549	10,002,111	10,102,100	12,000,002
Balances with Banks			586,617	-	-
	602,617	16,000	080,017	-	-
Group Balances Receivable	24,235	24,235	-	-	-
Non-Interest Earning Assets	86,563,838	74,227,344	1,978,275	236	10,357,983
Total Assets	672,805,644	335,809,719	133,434,344	159,801,585	43,759,996
Interest Bearing Liabilities					
Due to Depositors	511,619,747	175,218,138	293,767,153	32,684,151	9,950,305
Due to Banks and Other Borrowers	12,165,513	559,281	-	11,606,232	-
Due to Debt Securities Holders	11,944,370	11,919,051	25,319	-	-
Debt Securities Issued	21,617,455	4,516,350	3,909,355	11,582,750	1,609,000
Group Balances Payable	202,207	70,132	3,075	129,000	-
Lease Liabilities	5,101,247	95,303	255,609	1,316,152	3,434,183
Non-Interest Bearing Liabilities	110,155,105	54,803,809	493,213	407,785	54,450,298
Total Liabilities	672,805,644	247,182,064	298,453,724	57,726,070	69,443,786
Gaps	-	88,627,655	(165,019,380)	102,075,515	(25,683,790)

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Interest Rate Benchmark Reforms

Interest rate benchmarks such as Inter-Bank Offered Rates (IBORs) play an important role in global as well as local financial markets. A fundamental reform of major interest rate benchmarks was undertaken globally, replacing some IBORs with alternative nearly risk-free rates (referred to as 'IBOR reform').

For several decades, London Inter-Bank Offered Rates (LIBOR) was the widely used benchmark for global interest rates, underpinning derivatives, loans, bonds and other financial products. However, LIBOR had notable deficiencies as a benchmark, and markets demanded transition to more robust and reliable market-determined interest rate benchmarks.

The Bank too had exposures to certain LIBOR based financial instruments that were effected due to these market-wide initiatives globally. The main risk to which the Bank has been exposed as a result of LIBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use LIBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to this interest rate risk.

The Bank through ALCO managed its transition to the alternative rate of Secured Overnight Financing Rate (SOFR) from the use of LIBOR. The contracts which have fallen due since end 2021 is repriced at these alternate rates mostly based on fixed pricing. The five US dollar LIBOR settings which continued to be calculated using panel bank submissions until mid 2023, was used when required to reprice longer tenor advances which had frequent repricing dates. However, using these LIBOR's for new business was curtailed from end 2021.

Exposure to Other Market Risks

Share Investment and Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of share indices and the value of individual stocks. These losses could arise because of changes in the value of listed shares held directly by the Bank under each investment category.

Based on the Bank's policies, Risk Management Unit ensures monitoring and reporting the risk in respect of share investments and its valuation methodologies are appropriate and consistent, and assesses the potential impact on earnings and capital.

Market risk limits for share investments are the framework to guide the share investments and for stop-losses. These limits are binding and monitored on a daily basis. Timely and accurate reporting helps the Treasury Investment Committee (TIC) to exercise exit strategies within the stop-loss limits and the Management Action Trigger limits (MAT limits).

The sensitivity analysis of our share investments helps the TIC to understand and mitigate the risk the Bank is exposed to due to the vulnerability of price risk.

Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. The Bank is exposed to foreign exchange rate risk that the value of a financial instrument or the investment in its foreign assets, may fluctuate due to changes in foreign exchange rates.

During the early part of the year, the banking sector experienced uncertainty in market situations due to the lack of foreign currency liquidity. This mostly led to the banking industry being unable to meet the expected levels in liability conversion transactions especially trade related transactions. The market also experienced a drop in asset conversion transaction such as the inward remittance and export bills. However this situation eased during the 2nd quarter of 2023. The Sri Lanka rupee gradually strengthened from a 360 level to a 320 level to the US dollar during the latter half of the year and remained at these levels during most of the year.

The Bank ensures all market risk measures are adhered as laid down in the latest directions published by the Central Bank as well as according to best market practices followed locally and globally.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in.

	In Original Foreign Currency		Functional Currency of the Bank	
	'0	00	LKR '000	
	2023	2022	2023	2022
Net Foreign Currency Exposure				
Great Britain Pound	2.22	7.24	915.48	3,169.42
United States Dollar	1,721.34	3,589.55	558,145.96	1,303,401.50
Euro	4.98	8.76	1,788.64	3,392.05
Japanese Yen	66.50	(422.04)	152.43	(1,155.54)
Australian Dollar	1.54	1.60	340.97	394.08

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is shown in the table below.

NOP as	s on 31 December 20	23	NOP	as on 31 December 2	2022
	USD '000	LKR '000		USD '000	LKR '000
NOP	1,993	646,289	NOP	4,130	1,501,992
At Shock Levels of	Revised Rupee Position LKR '000	Effect on Income Statement LKR '000	At Shock Levels of	Revised Rupee Position LKR '000	Effect on Income Statement LKR '000
5%	678,603	32,314	5%	1,577,092	75,100
10% 15%	710,918 743,232	64,629 96,943	10% 15%	1,652,191 1,727,291	150,199 225,299

Policy on Repurchase Agreements (Repo) and Reverse Repurchase Agreements (Reverse Repo)

The Bank enters in to Repo and Reverse Repo agreements which are often short term money market instruments. Repurchase agreements are designed to minimise counterparty credit risk during their term. Changes in the market value of these positions can give rise to a "margin deficit" or a "margin excess". Treasury Back Office does a daily Mark to Market of the Securities received and the Securities allocated under Repo and Reverse Repo facilities. This in turn is cross checked by the Treasury Middle Office and if a short fall is observed Treasury is alerted on the required Margin Calls.

Outstanding Repurchase and Reverse Repurchase Facilities as at 31 December are given below:

	2023	
	LKR '000	LKR '000
	Financial Assets measured at Fair Value	Outstanding Balance
Securities sold under Repo	6,739,618	6,862,998
	Market Value of Securities Received	Outstanding Balance
Securities purchased under Reverse Repo	904,414	817,150

The Bank possess a haircut policy which is used to manage and monitor all Repo and Reverse Repo facilities against these haircut policies. The said policy specifies that all transactions should be covered by Government Securities with specified haircuts to cover price variations.

Reverse Repurchase Facilities

To cover the market risk in accepting Government Securities as collateral for Reverse Repo transactions the undernoted haircut policy is adopted:

	Reverse Repo		
Treasury Bonds and Bills	Up to 1 week	More than 1 week	
Maturing within 5 years	12.50%	17.50%	
Maturing between 5 – 10 years	15.00%	20.00%	
Maturing between 10 – 15 years	20.00%	22.50%	
Maturing between 15 – 20 years	22.50%	25.00%	
Maturing between 20 – 30 years	27.50%	30.00%	

Repurchase Facilities

Repo Facilities are accepted against collateral of Government Securities. To cover the market risk in allocating Government Securities as collateral for Repo transactions, the undernoted haircut policy is adopted:

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)
Up to 1 year	6%
More than 1 year and up to 3 years	8%
More than 3 years and up to 5 years	10%
More than 5 years and up to 8 years	10%
More than 8 years	12%

In case of interbank Repo and Reverse Repo transactions; Based on the Direction, No. 01 of 2019 issued under Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance on "Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills" the following minimum haircut policy will be adopted:

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)
Up to 1 year	4%
More than 1 year and up to 3 years	6%
More than 3 years and up to 5 years	8%
More than 5 years and up to 8 years	10%
More than 8 years	12%

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions; or
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;

- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee.

Capital Management

Capital Adequacy is a measure of a commercial bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II till 30 June 2017 and thereafter Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation from 01 July 2017.

Available Capital

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier 1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

As per the Banking Act Direction No. 01 of 2016 dated 29 December 2016 on Capital Requirements under BASEL III which was effective from 01 July 2017 and the amendments thereto under Directions No. 11 of 2019 dated 20 December 2019, the minimum required capital ratios to be maintained by the Bank are as follows.

- Every licensed bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for licensed banks.
- Licensed banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks	Capital Adequacy Ratio to be maintained by Licensed Banks determined as D-SIBs
Common Equity Tier 1 including Capital Conservation Buffer	7.00%	7.00% + HLA
Total Tier 1 including Capital Conservation Buffer	8.50%	8.50% + HLA
Total Capital Ratio including Capital Conservation Buffer	12.50%	12.50% + HLA

HLA requirements as the minimum capital surcharge on D-SIBs are given below.

Bucket	HLA Requirement (CET1 as a % of risk- weighted assets)
3	2.0
2	1.5
1	1.0

As per the extraordinary regulatory measures implemented by the Central Bank of Sri Lanka in March 2020, due to the COVID-19 pandemic situation Domestic Systemically Important Banks (D-SIBs) and non D-SIBs are permitted to draw down their Capital Conservation Buffers by 100bps and 50bps out of the total of 250bps, respectively. The Bank and the Group Capital Adequacy (Basel III) details as at 31 December are given below.

	Basel III 2023		Basel I 2022	11	
	Bank	Group	Bank	Group	
	LKR Mn	LKR Mn	LKR Mn	LKR Mn	
Assets					
Total Risk Weighted Amount (Including Off- Balance Sheet Items)	442,786	443,102	467,105	467,790	
Risk Weighted Amount of Off-Balance Sheet Exposure	36,632	36,632	42,712	42,712	
Capital					
Common Equity Tier 1 Capital	55,448	56,998	49,920	51,334	
Total Tier 1 Capital	55,448	56,998	49,920	51,334	
Total Capital	70,147	71,698	63,477	64,891	
Capital Adequacy Ratios					
Common Equity Tier 1 Capital Ratio (%)	12.52%	12.86%	10.69	10.97	
Tier 1 Capital Ratio (%)	12.52%	12.86%	10.69	10.97	
Total Capital Ratio (%)	15.84%	16.18%	13.59	13.87	

6.2 Fair Value of Financial Instruments

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note No 5.4.4. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

- Level 1 fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Valuation Models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other risk premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates and equity.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as foreign exchange forward contracts that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is sensitive to the specific events and general conditions in the financial markets.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and the counterparty risk.

Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes an oversight by the Market Risk function, which is independent of front office management. Market Risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
 - A review and approval process for new models and changes to models involving both product control and group market risk;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/LKASs. This includes:

- Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of Financial Instrument;
 - Understanding how the fair value has been arrived at, the extent to which it

-

represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;

 When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and If a number of quotes for the same Financial Instrument have been obtained, then how fair value has been determined using those quotes.

Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

	2023				2022	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets measured at Fair Value through Profit or Loss and Fair Value through Other Comprehensive Income						
Financial Assets recognised through Profit or Loss - measured at Fair Value	27,753,867	-	-	17,781,867	-	-
Derivative Financial Instruments	-	88,022	-	-	519,189	-
Financial Assets measured at Fair Value through Other Comprehensive Income	39,626,858	-	421,853	16,762,484	-	373,802
Financial Liabilities measured at Fair Value through Profit or Loss						
Derivative Financial Instruments	-	32,269	-	-	906,813	-

i. Level 3 Fair Value Measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2023	2022
Financial Assets measured at Fair Value through Other Comprehensive Income (Level 3)	LKR '000	LKR '000
Balance as at 01 January	373,802	332,252
Total Fair Value Gain/(Loss) in Other Comprehensive Income	48,051	41,550
Balance as at 31 December	421,853	373,802

ii. Unobservable Inputs used in measuring Fair Value

The table below sets out information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Values as at 31 December 2023 LKR '000	Valuation Technique	Significant Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Investment in Unquoted Equities	421,853	Net Assets Per Share	Price to Book Value Ratio (PBV) 168.10	10% increase of PBV would increase the fair value by 10%

Financial Instruments not measured at Fair Value

The table below show a comparison of the carrying amounts, as reported on the Statement of Financial Position, and fair values of all financial assets and liabilities carried at amortised cost.

	31 Decem	ber 2023	31 December 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets				
Cash and Cash Equivalents	48,851,143	48,851,143	40,254,514	40,254,514
Balances with Central Bank of Sri Lanka	7,028,281	7,028,281	16,784,172	16,784,172
Placements with Banks and Finance Companies	22,064,672	22,064,672	1,819,036	1,819,036
Financial Assets at Amortised Cost - Loans and Advances	437,532,470	436,647,991	444,219,508	439,845,139
Financial Assets at Amortised Cost - Debt and Other Instruments	104,354,510	104,113,614	106,158,878	85,297,305
Other Financial Assets	11,896,790	11,896,790	11,265,428	11,265,428
Financial Liabilities				
Due to Banks	12,096,756	12,096,756	12,158,030	12,158,030
Due to Depositors	590,698,330	590,698,330	547,315,755	547,315,755
Due to Debt Securities Holders	6,862,998	6,862,998	11,944,370	11,944,370
Due to Other Borrowers	16,151	16,151	7,483	7,483
Debt Securities Issued	19,967,701	18,139,173	21,617,455	16,526,674
Lease Liabilities	5,409,418	5,409,418	5,101,247	5,101,247
Other Financial Liabilities	11,953,383	11,953,383	9,218,039	9,218,039

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Bank's financial instruments can be exchanged in an active trading market. The Bank obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted market prices are not available, the Bank obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets				
Cash and Cash Equivalents	-	48,851,143	-	48,851,143
Balances with Central Bank of Sri Lanka	-	7,028,281	-	7,028,281
Placements with Banks and Finance Companies	-	22,064,672	-	22,064,672
Financial Assets at Amortised Cost - Loans and Advances		-	436,647,991	436,647,991
Financial Assets at Amortised Cost - Debt and Other instruments	100,351,362	3,247,525	514,727	104,113,614
Other Financial Assets	-	-	11,896,790	11,896,790
Financial Liabilities				
Due to Banks	-	-	12,096,756	12,096,756
Due to Depositors	-	-	590,698,330	590,698,330
Due to Debt Securities Holders	-	6,862,998	-	6,862,998
Due to Other Borrowers	-	-	16,151	16,151
Debt Securities Issued	-	18,139,173	-	18,139,173
Lease Liabilities	-	-	5,409,418	5,409,418
Other Financial Liabilities	-	-	11,953,383	11,953,383

Given below are the methodologies and assumptions used in fair value estimates.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents, approximate their fair value as those are short-term in nature and are receivable on demand.

Securities Purchased under Resale Agreements

These are short term reverse repurchase contracts which will be matured within twelve months from the reporting date and thus the carrying amounts of such contracts approximate to their fair values.

Loans and Advances

Approximately 71% of the total portfolio of loans and advances to customers has a remaining contractual maturity of less than one year.

The fair value of loans and advances with a maturity of more than one year is the present value of future cash flows expected to be received from such loans and advances calculated based on interest rates at the reporting date for similar types of loans and advances. Such loans include both fixed and floating rate loans. Majority of the floating rate loans can be re priced while for fixed rate loans, the loan contract allows the Bank to change the contracted rate if there is a material difference between the contracted rate and the market interest rate.

The Bank calculated the fair value of the leasing advances with a fixed interest rate and that will have a maturity of more than 12 months from the reporting date. Fair value of such leases as at 31 December 2023 was LKR 22,153 Mn Mn as against the carrying value which amounted to LKR 23,038 Mn.

Debt Securities at Amortised Cost

For the disclosure purpose the Bank has calculated the fair value of debt securities measured at amortised cost based on price formula applicable to such instruments at the reporting date. For the debentures measured at amortised cost fair value has been calculated using the market rate applicable for each instrument based on the remaining maturity period.

Liabilities

Bank and Other Borrowings

Approximately 50% of the amounts due to banks and others as at the reporting date have a remaining contractual maturity of less than one year. Majority of the balance amount comprised of floating rate instruments. Therefore fair value of amounts due to banks approximate to the carrying value as at the reporting date.

Deposits

More than 93% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

Securities Sold under Repurchase Agreement

Securities sold under repurchase agreements have a remaining contractual maturity of less than twelve months. Accordingly, carrying value of these borrowings would not be materially different to their fair values as at the reporting date.

Debentures

Debentures include fixed and variable rate debentures. In respect of fixed rate debentures, fair value has been determined by discounting the future cash flows by the interest rates prevailing as at the reporting date for similar instruments. Accordingly, the total debentures had a fair value of LKR 18,139 Mn as at 31 December 2023 as against its carrying value which amounted to LKR 19,968 Mn.

7 Gross Income

	Ba	nk	Group		
For the year ended 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Interest Income (Note 8.1)	107,078,561	86,068,611	107,168,402	86,106,337	
Fee and Commission Income (Note 9.1)	7,751,163	6,697,136	7,751,002	6,697,059	
Net Gains/(Losses) from Trading (Note 10)	818,206	(446,958)	818,206	(446,958)	
Net Gains from Derecognition of Financial Assets (Note 11)	150,289	34,149	150,289	34,149	
Net Other Operating Income (Note 12)	975,084	4,465,037	947,934	4,443,437	
Total Gross Income	116,773,303	96,817,975	116,835,833	96,834,024	

8 Net Interest Income

	Bank		Group	
For the year ended 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Interest Income				
Placements with Banks	2,120,182	173,990	2,120,182	173,990
Financial Assets recognised through Profit or Loss				
- Measured at Fair Value				
Government Securities (Note 8.3)	4,601,673	2,126,879	4,601,673	2,126,879
Financial Assets at Amortised Cost				
- Loans and Advances *	78,508,725	69,975,246	78,507,405	69,974,905
- Interest Accrued on Impaired Loans and Advances **	1,041,465	698,299	1,041,465	698,299
- Debt and Other Instruments				
Government Securities (Note 8.3)	13,647,063	9,567,019	13,731,486	9,597,787
Debt Instruments	122,758	165,153	122,758	165,153
Financial Assets measured at Fair Value through Other Comprehensive Income				
Government Securities (Note 8.3)	7,036,695	3,142,142	7,039,014	3,142,142
Debt Instruments		-	4,283	7,375
Other	-	219,883	136	219,807
Total Interest Income	107,078,561	86,068,611	107,168,402	86,106,337
Interest Expenses				
Due to Banks	1,045,694	555,604	1,046,316	556,067
Financial Liabilities at amortised cost				
- Due to Depositors	61,882,136	39,483,231	61,872,642	39,478,105
- Due to Debt Securities Holders (Note 8.3)	689,394	2,427,924	689,394	2,426,688
- Due to Other Borrowers	322	286	322	286
Debt Securities Issued	2,923,685	2,589,596	2,916,272	2,572,396
Lease Liabilities	484,065	470,008	191,603	185,678
Total Interest Expenses	67,025,296	45,526,649	66,716,549	45,219,220
Net Interest Income	40,053,265	40,541,962	40,451,853	40,887,117

* Interest Income adjustment of LKR 348,724,503.00 in 2023 (LKR 286,733,565.00 for 2022) on staff loans at preferential interest rates that included in interest income has been recognised as a staff benefit under personnel expenses.

** Interest Income on Loans and Advances includes interest accrued on impaired loans of LKR 1,041,464,970.00 in 2023 (LKR 698,298,661.00 for 2022) and corresponding debit entry has been recorded under impairment charges (Note 25.3).

		Bank		Group	
	For the year ended 31 December	2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
8.3	Net Interest Income from Sri Lanka Government Securities				
	Interest Income	25,285,431	14,836,040	25,372,173	14,866,808
	Less : Interest Expenses	689,394	2,427,924	689,394	2,426,688
	Net Interest Income from Sri Lanka Government Securities	24,596,037	12,408,116	24,682,779	12,440,120

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8.3.1 Interest Income includes LKR 103 Mn recognised from the Treasury Bonds received in exchange of SLDBs in August 2023 (Note 26.6.2).

9 Net Fee & Commission Income

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For the year ended 31 December	Banking		Treasury			Property/ Investment		Unallocated/ Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Fee and Commission Income											
Comprising ;											
Loans	1,148,931	925,985	-	-	-	-	-	100	1,148,931	926,085	
Cards	2,182,980	1,854,907	-	-	-	-	-	-	2,182,980	1,854,907	
Trade and Remittances	2,131,011	2,096,793	-	-	-	-	-	-	2,131,011	2,096,793	
Deposits	473,900	257,748	-	-	-		-	-	473,900	257,748	
Guarantees	728,659	780,406	-	-	-	-	-	-	728,659	780,406	
Other Financial Services	920,317	732,703	153,351	22,718	-	-	12,014	25,776	1,085,682	781,197	
Total Fee and Commission Income - Bank	7,585,798	6,648,542	153,351	22,718	-	-	12,014	25,876	7,751,163	6,697,136	
Subsidiary											
Deposits	-	-	-	-	-	-	(161)	(77)	(161)	(77)	
Total Fee and Commission Income - Group	7,585,798	6,648,542	153,351	22,718	-	-	11,853	25,799	7,751,002	6,697,059	
Fee and Commission Expenses											
Comprising											
Brokerage Fees	6,068	78	251	4,692	-	-	-	-	6,319	4,770	
Loans/Cards	139,370	109,420	-	-	-	-	-	-	139,370	109,420	
Other Financial Services	92,081	96,818	33,216	24,110	-	-	-	-	125,297	120,928	
Total Fee and Commission Expenses - Bank	237,519	206,316	33,467	28,802	-	-	-	-	270,986	235,118	
Subsidiary											
Brokerage Fees	-	-	-	-	3,251	734	-	-	3,251	734	
Total Fee and Commission Expenses - Group	237,519	206,316	33,467	28,802	3,251	734	-	-	274,237	235,852	
Total Net Fee and Commission Income - Bank	7,348,279	6,442,226	119,884	(6,084)	-	-	12,014	25,876	7,480,177	6,462,018	
Total Net Fee and Commission											

10 Net Gains/(Losses) from Trading

	Ba	nk	Gro	up
For the year ended 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Derivative Financial Instruments (Note 12.1)				
- From Banks	451,839	(481,382)	451,839	(481,382)
- From Other Customers	(8,463)	(7,698)	(8,463)	(7,698)
Financial Assets recognised through Profit or Loss - Measured at Fair Value				
Government Securities				
- Net Mark-to-Market Gains/ (Losses)	130,994	(153,956)	130,994	(153,956)
- Net Capital Gains / (Losses)	243,836	196,078	243,836	196,078
Total Net Gains/(Losses) from Trading	818,206	(446,958)	818,206	(446,958)

11 Net Gains from Derecognition of Financial Assets

	Ba	nk	Gro	up
For the year ended 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets measured at Fair Value through Other Comprehensive Income				
- Government Securities	150,289	34,149	150,289	34,149
Total Net Gains from Derecognition of Financial Assets	150,289	34,149	150,289	34,149

12 Net Other Operating Income

	Ba	nk	Group		
For the year ended 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Dividend Income					
 Equity Investments measured at Fair Value through Other Comprehensive Income - Quoted 	1,673	1,987	1,673	1,987	
 Equity Investments measured at Fair Value through Other Comprehensive Income - Unquoted 	17,499	14,459	17,499	14,459	
- Subsidiary - Seylan Developments PLC	125,199	146,065	-	-	
Profit on Sale of Property , Plant & Equipment	7,681	2,283	7,681	2,283	
Foreign Exchange Income (Note 12.1)	517,448	3,964,391	510,157	3,976,486	
Recovery of Loans Written-Off	305,584	335,852	305,584	335,852	
Rent and Other Income	-	-	105,340	112,370	
Total Other Operating Income - Net	975,084	4,465,037	947,934	4,443,437	

12.1 Foreign Exchange Income

Foreign exchange income represents both revaluation gain/(loss) on the Bank's net open position and realised exchange gain/(loss) on foreign currency transactions. Mark to market gains on derivative financial instruments amounting to LKR 443 Mn. (2022: loss LKR 489 Mn.) is reported under Note 10, 'Net Gains/(Losses) from Trading' as required by the Sri Lanka Accounting Standard SLFRS 9 (Financial Instruments) and foreign exchange income amounting to LKR 517 Mn. (2022: LKR 3,964 Mn.) is reported under Note 12, 'Net Other Operating Income'. Accordingly the corresponding gains on derivative financial instruments is included in the foreign exchange income, total foreign exchange income of the Bank for the year ended 31 December 2023 amounted to LKR 961 Mn. (2022: LKR 3,475Mn.).

13 Impairment Charges

13.1

	Ban	k	Group		
For the year ended 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Loans & Advances (Note 13.1)	15,342,429	21,447,905	15,342,429	21,447,905	
Financial Investments Measured at Amortised Cost - Debt and Other Instruments (Note 26.5)	1,519,709	4,711,624	1,519,709	4,711,624	
Financial Assets Measured at FVOCI (Note 27.6)	-	(14,940)	(9)	(14,940)	
Cash and Cash Equivalents (Note 20.1)	36,041	113,051	36,041	113,051	
Placements with Banks and Finance Companies (Note 22.1)	101,737	(32,301)	101,737	(32,301)	
Undrawn Credit Commitments and Financial Guarantees (Note 43.3)	352,276	(139,509)	352,276	(139,509)	
Other Financial Receivables (Note 35.1)	(347,246)	347,246	(347,246)	347,246	
Total Impairment Charge	17,004,946	26,433,076	17,004,937	26,433,076	
Loans & Advances					
Impairment Charges - Stage 1 (Note 25.3.1)	(3,011,561)	3,350,366	(3,011,561)	3,350,366	
Impairment Charges - Stage 2 (Note 25.3.1)	1,468,474	4,384,081	1,468,474	4,384,081	
Impairment Charges - Stage 3 (Note 25.3.1)	16,885,516	13,713,458	16,885,516	13,713,458	
Total Impairment Charges - Loans and Advances	15,342,429	21,447,905	15,342,429	21,447,905	

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13.2 Impairment charges recognised against loans and advances include the post model adjustments made outside the ECL model using various stress testing techniques in order to address the potential implications of the uncertainties associated with the prevailing economic conditions on risk elevated sectors and stressed customer portfolios in excess of the impairment computed based on the ISL assessment/ECL of the Bank.

The improved economic factors applied to the base case in 2023 resulted in a reduction in the modelled ECL. The management initiated post model adjustments to the modelled ECL from 2021 based on Bank's exposure to the moratorium schemes, risk elevated sectors and stressed customer portfolio primarily due to the prolonged uncertainties that impacted the economic landscape immediately after COVID 19 pandemic. With the conclusion of the moratorium schemes, the Bank's post model adjustments were reassessed during 2022 and were amended to address only the risk elevated sectors and stressed customer portfolio reflecting the potential implications of the adverse economic conditions prevailed in 2022. During the year 2023, the Bank re visited the risk elevated sectors based on the improved economic conditions and continues to assess the exposure to stressed customers portfolio. Accordingly, required adjustments have been made to previously assessed post model adjustments resulting in reductions in such adjustments made in Stage 1 & 2 . The Bank has increased the threshold set for individually significant loans (ISL) from LKR 25 Mn to 100 Mn during the year. Accordingly the exposure at default considered under modelled ECL increased especially in Stage 3 and the resultant ECL , while the respective portfolio was excluded from Stage 3 ISL assessment.

13.3 As mentioned in Note 26.6.3, the Bank ahs recognized a provision of LKR 890 Mn net of exchange impact (LKR 1.5 Bn before exchange impact), during the year to arrive at a provision cover of 52% on investments in SLISBs. Further, as mentioned in Note 26.6.2, the Bank recognized as loss on initial recognition on account of local currency denominated treasury bonds received in exchange of SLDBs as part of Domestic Debt Optimization program.

14 Operating Expenses

	Bank		Group		
For the year ended 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Operating Expenses include the following :					
Directors' Emoluments *	115,701	123,451	119,886	126,846	
Auditors' Remunerations					
- Audit Fees & Expenses	17,076	15,236	18,565	16,577	
- Audit-Related Fees & Expenses	8,458	8,941	8,591	9,052	
- Non-Audit Services	1,587	1,918	1,872	2,001	
Depreciation - Freehold Property, Plant & Equipment (Note 30)	651,098	712,206	714,843	777,708	
Depreciation - Right-of-use Assets (Note 31)	450,115	460,289	415,452	426,586	
Depreciation - Investment Properties (Note 32)	-	-	33,674	26,665	
Amortisation of Intangible Assets (Note 33)	184,071	185,420	184,071	185,420	
Donations	5,560	574	6,660	1,525	
Legal Expenses	198,212	127,810	198,649	129,228	
Sri Lanka Deposit Insurance Fund Contribution	696,749	509,672	696,749	509,672	
Crop Insurance Levy	62,873	46,734	62,873	46,734	

* Directors' Emoluments include the salaries and benefits paid to Executive and fees to Non-Executive Directors of the Bank and the Group.

15 Personnel Expenses

	Bank		Group	
For the year ended 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Personnel Expenses include the Following:				
Salaries and Bonuses	6,457,267	5,518,013	6,482,831	5,543,181
Contribution to Employees' Provident Fund	582,529	554,220	585,469	557,201
Contribution to Employees' Trust Fund	145,632	138,558	146,367	139,303
Provision for Defined Benefit Obligations (Note 43.1.6)	434,682	314,729	433,605	314,579
Additional Gratuity Expense (Note 43.1.6)	(279,283)	162,386	(279,283)	162,386
Amortisation of Prepaid Staff Cost *	371,267	302,464	371,528	302,592
Other Staff Related Expenses	1,437,706	973,726	1,453,800	988,161
Total Personnel Expenses	9,149,800	7,964,096	9,194,317	8,007,403

* Includes prepaid staff cost on both staff loans and staff deposits.

16 Income Tax Expense

For the year ended 31 December		Ban	k	Group		
		2023 20		2023	2022	
		LKR '000	LKR '000	LKR '000	LKR '000	
Income Tax Expense I Statement	recognised in Income					
Current Tax Expense						
-Tax on Current Year's P	rofits (Note 16.2)	4,063,720	5,643,038	4,110,333	5,704,578	
-(Over Provision) / Under Previous Years	Provision in Respect of	-	-	(6,156)	-	
		4,063,720	5,643,038	4,104,177	5,704,578	
Deferred Taxation						
- Charge/(Reversal) on T (Note 34)	emporary Differences	(239,848)	(3,726,441)	(235,348)	(3,485,690)	
		(239,848)	(3,726,441)	(235,348)	(3,485,690)	
Total Income Tax Expe	nse	3,823,872	1,916,597	3,868,829	2,218,888	

i The Inland Revenue (Amended) Act No.45 of 2022 was certified by the speaker on 19th December 2022. The standard rate of income tax has been increased from 24% to 30%. The increase in the income tax rate to 30% has resulted in two tax rates being applicable for the year of assessment 2022/23. The Bank and Group have computed the current and deferred tax at the rate of 30%.

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- ii As per Section 66(2) and 66(3) of the Inland Revenue Act No. 24 of 2017 the Commissioner General of Inland Revenue has specified the amount of impairment charges that can be deducted in accordance with the directives of Central Bank of Sri Lanka. Accordingly, the Gazette Notification issued under the reference of 2303/05 dated 2022.10.25 specifies that impairment charges for stage 3 credit facilities prepared in accordance with the Sri Lanka Accounting Standards (SLFRS 9) considered as allowable subject to the conditions laid out therein.
- iii The Seylan Developments PLC (subsidiary) has computed taxation based on the rate applicable for the companies.
- iv As per the opinion received from Bank's Tax Consultant, investment impairment made for probable haircut on international sovereign bonds have been converted to a deferred tax asset.
- v Income received from foreign sources including investments and placements denominated in FCY, have been considered as exempt income subject to attributable cost. In addition, profits from offshore banking business have been considered tax free as per the provisions of the Inland Revenue Act No. 24 of 2017 and its subsequent amendments.

16.2 Reconciliation of the Accounting Profit to Income Tax Expense

For the year ended 31 December	Ban	k	Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Profit before Income Tax	10,080,086	6,628,860	10,269,451	6,796,658
Add : Disallowable Expenses				
- Impairment on Loans and Advances	15,342,429	21,447,905	15,342,429	21,447,905
- Impairment other than Loans and Advances	1,662,517	4,985,171	1,662,517	4,985,171
- Other Disallowable Expenses	7,245,402	5,998,543	7,212,340	5,998,543
Less : Allowable Expenses				
- Impairment on Loans and Advances (Stage 03)	16,625,106	13,713,472	16,625,106	13,713,472
- Other Allowable Expenses	2,876,438	2,973,602	2,876,438	2,906,170
Less : Exempt Income	1,341,889	1,822,665	1,341,889	1,822,665
Less : Tax Losses Set-off	-	-	-	22,213
Assessable Income from Business	13,487,001	20,550,740	13,643,304	20,763,757
Assessable Income from Investments (Dividend Receipts)	127,465	146,333	127,465	146,333
Total Assessable Income	13,614,466	20,697,073	13,770,769	20,910,090
Taxable income from Business	13,487,001	20,550,740	13,643,304	20,763,757
Less: Qualifying Payments - Donation to Government	5,000	-	5,927	-
Net Taxable Income from Business	13,482,001	20,550,740	13,637,377	20,763,757
Taxable Income from Investments (Dividend Receipts)	127,465	146,333	127,465	146,333
Total Taxable Income	13,609,466	20,697,073	13,764,842	20,910,090
Tax on Business Income at 24%	-	2,170,955	-	2,176,382
Tax on Business Income at 30%	4,044,600	3,451,528	4,091,213	3,507,641
Tax on Investment Income (Dividend Receipts) at 14%	-	19,529	-	19,529
Tax on Investment Income (Dividend Receipts) at 15%	19,120	1,026	19,120	1,026
Tax on Total Taxable Income	4,063,720	5,643,038	4,110,333	5,704,578
(Over)/Under Provision in Respect of Previous Years	-	-	(6,156)	-
Transfer to Deferred Taxation (Note 16.3)	(239,848)	(3,726,441)	(235,348)	(3,485,690)
Total Income Tax Expense	3,823,872	1,916,597	3,868,829	2,218,888
Effective Income Tax Rate (%) (Note 16.4)	38	29	38	33
Effective Current Rax Rate (Excluding Deferred Tax) (%) *	40	85	40	84

* The difference of effective income tax rate and effective current tax rate arise due to the temporary differences between the tax base and the accounting base (i.e. impairment charges, depreciable assets, expenses. etc.)

	Bank				Group			
For the year ended 31 December	2023		2023 2022		2023		2022	
	Taxable	Tax	Taxable	Tax	Taxable	Tax	Taxable	Tax
	Income	Expense	Income	Expense	Income	Expense	Income	Expense
	LKR 000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Bank's Domestic Banking								
Unit and On-Shore Profits	13,772,541	4,063,720	21,211,456	5,643,038	13,927,917	4,110,333	21,424,473	5,704,578
Less: Off-Shore Profits	163,075	-	514,383	-	163,075	-	514,383	-
	13,609,466	4,063,720	20,697,073	5,643,038	13,764,842	4,110,333	20,910,090	5,704,578

16.3 Deferred Tax Charge/ (Reversal)

Deferred Tax Charge/ (Reversal)	Bai	nk	Group		
For the year ended 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Deferred Tax - Liabilities					
Property, Plant and Equipment	(9,080)	(20,322)	(9,231)	(20,448)	
Lease Receivables	(153,178)	(118,841)	(153,178)	(118,841)	
Revaluation Gain on Property, Plant & Equipment	-	-	24,916	-	
Right-of-use Assets (SLFRS 16)	78,869	-	78,869	223,851	
	(83,389)	(139,163)	(58,624)	84,562	
Deferred tax - Assets					
Leave Encashment Provision	31,459	1,076	31,459	1,076	
Other Provisions	6,228	(47,166)	6,228	(47,166)	
Enhanced Gratuity	177,047	(55,517)	177,047	(55,517)	
Lease Liabilities (SLFRS 16)	92,451	30,330	112,716	-	
Expected Credit Loss Allowances	(150,726)	3,636,217	(150,726)	3,636,217	
Tax Losses Carried Forward	-	-	-	(3,998)	
	156,459	3,564,940	176,724	3,530,612	
Effect from Rate Change (24% to 30%)	-	(22,338)	-	(39,640)	
Transfer to Deferred Taxation	(239,848)	(3,726,441)	(235,348)	(3,485,690)	

16.4 **Reconciliation of Effective Tax Rate**

	Bank				Group			
For the year ended 31 December		2023		2022		2023		2022
	%	LKR'000	%	LKR'000	%	LKR'000	%	LKR'000
Profit Before Income Tax		10,080,086		6,628,860		10,269,451		6,796,658
Income Tax for the Period	30	3,024,026	28	1,866,721	30	3,080,835	28	1,917,061
Tax Effect of Expenses that are Not Deductible for Tax Purposes	72	7,275,104	134	8,888,645	71	7,265,186	131	8,888,645
Tax Effect of Expenses that are Deductible for Tax Purposes	(58)	(5,850,463)	(70)	(4,643,848)	(57)	(5,850,463)	(68)	(4,632,648)
Exempt Income	(4)	(402,567)	(7)	(489,035)	(4)	(402,567)	(7)	(489,035)
Qualifying Payments (Donation to the Government)	-	(1,500)	-	-	-	(1,778)	_	-
(Over)/ Under Provision in Respect of Previous Years	-	-	-	_	-	(6,156)	-	_
Dividend (First six months - under 14% Tax Rate & Second six months - under								
15% Tax Rate)	-	19,120	-	20,555	-	19,120	-	20,555
Deferred Taxation	(2)	(239,848)	(56)	(3,726,441)	(2)	(235,348)	(51)	(3,485,690)
Total Income Tax Expense (Note 16.2)	38	3,823,872	29	1,916,597	38	3,868,829	33	2,218,888

17 Basic/Diluted Earnings per Share

Basic Earnings Per Share has been calculated by dividing Profit after tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31 December 2023 and 2022.

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

	Ba	nk	Group		
	2023	2022	2023	2022	
	Rest	ated	Rest	ated	
Total Profit after Tax Attributable to Equity Holders of the Bank (LKR '000)	6,256,214	4,712,263	6,321,116	4,574,359	
Weighted Average Number of Ordinary Shares as at 31 December ('000) (Note 17.1)	615,449	615,449	615,449	615,449	
Basic/Diluted Earnings Per Share (LKR)	10.17	7.66	10.27	7.43	

2023

17.1 Weighted Average Number of Ordinary Shares for Earnings per Share

Earnings per Share				
	Outstanding	Weighted Average	Outstanding	Weighted Average
				Restated
Number of Shares held as at 01 January	577,776,073	577,776,073	534,190,683	534,190,683
Add: Number of Shares Issued - Scrip Dividend - 2022		-	43,585,390	43,585,390
Add: Number of Shares Issued - Scrip Dividend - 2023	37,672,985	37,672,985	-	-
Number of Shares held as at 31 December	615,449,058	615,449,058	577,776,073	577,776,073
Restatement due to subsequent scrip issue *				37,672,985
Weighted Average Number of Ordinary Shares as at				
31 December		615,449,058		615,449,058

* Weighted average number of ordinary shares as at 31 December 2022 has been restated based on the no of shares issued for scrip dividend in 2022 as per Sri Lanka Accounting Standard (LKAS 33) - "Earnings per Share".

18 Dividends

	Bank/Group			
Ordinary Share Dividends	2023	2022		
	LKR '000	LKR '000		
Net Dividend Paid				
Scrip Dividends	982,220	1,602,571		
Tax Deducted at Source	173,333	-		
Gross Dividend	1,155,553	1,602,571		

Proposed Dividend

The Board of Directors of the Bank has recommended the payment of a final dividend of LKR 2.50 per share for both voting and nonvoting ordinary shareholders of the Bank to be paid by way of LKR 1 cash dividend per share and LKR 1.50 scrip dividend per share for the year ended 31 December 2023 (Bank declared a final dividend of LKR 2.00 per share for 2022 by way of scrip dividend per share).

The total dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting to be held on 28 March 2024. Final dividend proposed for the year 2023 amounts to LKR 1,538,622,645.00 (LKR 1,155,552,146.00 for 2022).

In accordance with provisions of the Sri Lanka Accounting Standard (LKAS 10) – Events after the Reporting Period, the proposed final dividend has not been recognized as a liability as at year end.

As required by Section 56 of the Companies Act No 07 of 2007, the Board of Directors of the Bank satisfied the solvency test in accordance with the section 57, prior to recommending the final dividend.

2022

19 Analysis of Financial Instruments by Measurement Basis

19.1 Bank

As at 31 December	2023					
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	Total		
	LKR '000	LKR '000	LKR '000	LKR '000		
Assets						
Cash and Cash Equivalents	-	-	48,851,143	48,851,143		
Balances with Central Bank of Sri Lanka	-	-	7,028,281	7,028,281		
Placements with Banks and Finance Companies	-	-	22,064,672	22,064,672		
Derivative Financial Instruments	88,022	-	-	88,022		
Securities Purchased under Resale Agreements	-	-	817,150	817,150		
Customer Loans and Advances	-	-	437,532,470	437,532,470		
Debt Instruments	-	-	751,134	751,134		
Equity Instruments	-	1,802,855	-	1,802,855		
Government Securities	27,753,867	38,245,856	102,786,226	168,785,949		
Group Balances Receivable	-	-	40,500	40,500		
Other Financial Assets	-	-	11,896,790	11,896,790		
Total Financial Assets	27,841,889	40,048,711	631,768,366	699,658,966		

	Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Financial Liabilities Measured at Amortised Cost (AC)	Total
	LKR '000	LKR '000	LKR '000
Liabilities			
Due to Banks	-	12,096,756	12,096,756
Derivative Financial Instruments	32,269	-	32,269
Due to Depositors	-	590,698,330	590,698,330
Securities Sold under Repurchase Agreements	-	6,862,998	6,862,998
Due to Other Borrowers	-	16,151	16,151
Group Balances Payable	-	115,823	115,823
Debt Securities Issued	-	19,967,701	19,967,701
Lease Liabilities	-	5,409,418	5,409,418
Other Financial Liabilities	-	11,953,383	11,953,383
Total Financial Liabilities	32,269	647,120,560	647,152,829

As at 31 December	2022				
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	
Assets					
Cash and Cash Equivalents	-	-	40,254,514	40,254,514	
Balances with Central Bank of Sri Lanka	-	-	16,784,172	16,784,172	
Placements with Banks and Finance Companies	-	-	1,819,036	1,819,036	
Derivative Financial Instruments	519,189	-	-	519,189	
Securities Purchased under Resale Agreements	-	-	3,628,549	3,628,549	
Customer Loans and Advances	-	-	444,219,508	444,219,508	
Debt Instruments	-	-	889,997	889,997	
Equity Instruments	-	1,500,621	-	1,500,621	
Government Securities	17,781,867	15,635,665	101,640,332	135,057,864	
Group Balances Receivable	-	-	64,435	64,435	
Other Financial Assets	-	-	11,265,428	11,265,428	
Total Financial Assets	18,301,056	17,136,286	620,565,971	656,003,313	

	Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Liabilities Liabilities Measured at Measured at Fair Value Amortised Cost through Profit (AC)	
	LKR '000	LKR '000	LKR '000
Liabilities			
Due to Banks	-	12,158,030	12,158,030
Derivative Financial Instruments	906,813	-	906,813
Due to Depositors	-	547,315,755	547,315,755
Securities Sold under Repurchase Agreements	-	11,944,370	11,944,370
Due to Other Borrowers	-	7,483	7,483
Group Balances Payable	-	202,382	202,382
Debt Securities Issued	-	21,617,455	21,617,455
Lease Liabilities	-	5,101,247	5,101,247
Other Financial Liabilities	-	9,218,039	9,218,039
Total Financial Liabilities	906,813	607,564,761	608,471,574

19.2 GROUP

	2023				
As at 31 December	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	
Assets					
Cash and Cash Equivalents		-	48,851,183	48,851,183	
Balances with Central Bank of Sri Lanka	-	-	7,028,281	7,028,281	
Placements with Banks and Finance Companies		-	22,064,672	22,064,672	
Derivative Financial Instruments	88,022	-	-	88,022	
Securities Purchased under Resale Agreements	-	-	817,150	817,150	
Customer Loans and Advances	-	-	437,532,470	437,532,470	
Debt Instruments		-	751,134	751,134	
Equity Instruments	-	1,802,855	-	1,802,855	
Government Securities	27,753,867	38,484,010	103,057,378	169,295,255	
Other Financial Assets	-	-	11,918,708	11,918,708	
Total Financial Assets	27,841,889	40,286,865	632,020,976	700,149,730	

Financial Liabilities Measured at Fair Value through Profit	Financial Liabilities Measured at Amortised Cost (AC)	Total
or Loss (FVTPL) LKR '000	LKR '000	LKR '000

Liabilities			
Due to Banks	-	12,096,756	12,096,756
Derivative Financial Instruments	32,269	-	32,269
Due to Depositors	-	590,698,330	590,698,330
Securities Sold under Repurchase Agreements	-	6,862,998	6,862,998
Due to Other Borrowers	-	16,151	16,151
Debt Securities Issued	-	19,967,701	19,967,701
Lease Liabilities	-	2,245,420	2,245,420
Other Financial Liabilities	-	12,015,613	12,015,613
Total Financial Liabilities	32,269	643,902,969	643,935,238

Liabilities

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2022				
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	
Assets					
Cash and Cash Equivalents	-	-	40,254,554	40,254,554	
Balances with Central Bank of Sri Lanka	-	-	16,784,172	16,784,172	
Placements with Banks and Finance Companies	-	-	1,819,036	1,819,036	
Derivative Financial Instruments	519,189	-	-	519,189	
Securities Purchased under Resale Agreements	-	-	3,628,549	3,628,549	
Customer Loans and Advances	-	-	444,219,508	444,219,508	
Debt Instruments	-	49,897	889,997	939,894	
Equity Instruments	-	1,500,621	-	1,500,621	
Government Securities	17,781,867	15,635,665	101,911,206	135,328,738	
Other Financial Assets	-	-	11,292,150	11,292,150	
Total Financial Assets	18,301,056	17,186,183	620,799,172	656,286,411	

Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Financial Liabilities Measured at Amortised Cost (AC)	Total
LKR '000	LKR '000	LKR '000
-	12,158,030	12,158,030
906,813	-	906,813
-	547,315,755	547,315,755
-	11,944,370	11,944,370

Due to Banks	-	12,158,030	12,158,030
Derivative Financial Instruments	906,813	-	906,813
Due to Depositors	-	547,315,755	547,315,755
Securities Sold under Repurchase Agreements	-	11,944,370	11,944,370
Due to Other Borrowers	-	7,483	7,483
Debt Securities Issued	-	21,617,455	21,617,455
Lease Liabilities	-	2,254,558	2,254,558
Other Financial Liabilities	-	9,280,995	9,280,995
Total Financial Liabilities	906,813	604,578,646	605,485,459

20 Cash and Cash Equivalents

20.1

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cash in Hand - Local Currency	11,733,074	10,442,345	11,733,114	10,442,385
Cash in Hand - Foreign Currency	563,643	429,902	563,643	429,902
Balances with Local Banks	546,389	548,410	546,389	548,410
Balances with Foreign Banks	36,191,728	28,981,507	36,191,728	28,981,507
Total Cash and Cash Equivalents	49,034,834	40,402,164	49,034,874	40,402,204
Expected Credit Loss Allowance (Note 20.1)	(183,691)	(147,650)	(183,691)	(147,650)
Fotal Cash and Cash Equivalents - Net	48,851,143	40.254.514	48,851,183	40,254,554

Stage 1				
Balance as at 01 January	147,650	34,599	147,650	34,599
Charge / (Write back) to Income Statement (Note 13)	36,041	113,051	36,041	113,051
Balance as at 31 December	183,691	147,650	183,691	147,650

21 Balances with Central Bank of Sri Lanka

As required by Section 93 of the Monetary Law Act, a cash balance to fulfil the statutory reserve requirement of 2% (2% for the period 16 August 2023 to 31 December 2023, 4% for the period 1 September 2021 to 15 August 2023) of the rupee deposit liabilities to be maintained with Central Bank of Sri Lanka.

	Bank/G	roup
As at 31 December	2023	2022
	LKR '000	LKR '000
Statutory balances with the Central Bank of Sri Lanka*	7,028,281	16,784,172
Total Balances with Central Bank of Sri Lanka	7,028,281	16,784,172
*Amount required to maintain the statutory reserve requirement on average over the reserve of	naintananca pariod	

*Amount required to maintain the statutory reserve requirement on average over the reserve maintenance period.

22 Placements with Banks and Finance Companies

	Bai	nk	Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Term Deposits with Banks	22,175,550	1,828,177	22,175,550	1,828,177
Term Deposits with Finance Companies	-	-	498	498
Total Placements with Banks and Finance Companies	22,175,550	1,828,177	22,176,048	1,828,675
Expected Credit Loss Allowance (Note 22.1)	(110,878)	(9,141)	(111,376)	(9,639)
Total Placements with Banks and Finance Companies - Net	22,064,672	1,819,036	22,064,672	1,819,036

As at 31 December

22.1	Movement in Expected Credit Loss Allowance During the year				
	Stage 1				
	Balance as at 1 January	9,141	41,442	9,639	41,940
	Charge / (Write back) to Income statement (Note 13)	101,737	(32,301)	101,737	(32,301)
	Balance as at 31 December	110,878	9,141	111,376	9,639

23 Derivative Financial Instruments

		Bank/	Group
	As at 31 December	2023	2022
		LKR '000	LKR '000
23.1	Derivative Assets		
	Foreign Currency Derivatives		
	Forward Foreign Exchange Contracts		
	- Designated as Cash Flow Hedges	-	-
	- Designated as Fair Value Hedges	-	-
	- Not Designated as Hedge	88,022	519,189
		88,022	519,189

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23.2	Derivative Liabilities		
	Foreign Currency Derivatives		
	Forward Foreign Exchange Contracts		
	- Designated as Cash Flow Hedges	-	-
	- Designated as Fair Value Hedges	-	-
	- Not Designated as Hedge	32,269	906,813
		32,269	906,813

24 Financial Assets Measured at Fair Value Through Profit and Loss (FVTPL)

	Bank/	Bank/Group		
As at 31 December	2023	2022		
	LKR '000	LKR '000		
Government Securities - Treasury Bills (Note 26.1)	26,177,114	17,424,841		
Government Securities - Treasury Bonds (Note 26.1)	1,576,753	357,026		
Total Financial Assets Measured at FVTPL	27,753,867	17,781,867		

24.1 Analysis of Financial Assets Measured at FVTPL

24.1.1	By Currency		
	Sri Lankan Rupee	27,753,867	17,781,867
	Total Financial Assets Measured at FVTPL	27,753,867	17,781,867

24.1.2	By Collateralisation		
	Pledged as Collateral	897,383	-
	Unencumbered	26,856,484	17,781,867
	Total Financial Assets Measured at FVTPL	27,753,867	17,781,867

24.2 Financial Assets Measured at FVTPL Consists of Total Cost/Amortised Cost 27,819,065 17,978,059 Marked to Market Valuation Gain/(Loss) * (65,198) (196,192) Total Fair Value 27,753,867 17,781,867

* Marked to market valuation gain/(loss) of financial Assets measured at fair value through profit and loss is included in Net Gains / (Losses) from Trading (Note 10).

	Bank/G	iroup
Financial Assets at Amortised Cost - Loans and Advances	2023	2022
	LKR '000	LKR '000
Gross Loans & Advances under;		
Stage 1	401,810,674	388,076,563
Stage 2	24,226,722	40,678,022
Stage 3	71,167,813	61,677,299
Gross Loans & Advances	497,205,209	490,431,884
Less: Expected Credit Loss Allowance under; (Note 25.3)		
Stage 1	3,170,520	6,207,450
Stage 2	7,884,411	6,450,019
Stage 3	48,617,808	33,554,907
Total Expected Credit Loss Allowance for Loans and Advances	59,672,739	46,212,376
Total Loans and Advances - Net	437,532,470	444,219,508

25.1 Analysis of Gross Loans & Advances

	LKR '000	LKR '000
By Product		
Local Currency		
Export Bills	210,614	91,837
Import Bills	209,672	213,784
Local Bills	9,597	12,054
Lease Rentals Receivable (Note 25.2)	23,037,804	24,036,119
Overdrafts	60,821,111	69,185,621
Revolving Import Loans	12,296,069	10,888,046
Packing Credit Loans	6,971,268	4,678,143
Trust Receipt Loans	-	581,793
Staff Loans	7,097,794	7,657,777
Housing Loans	15,717,780	17,620,074
Pawning Receivables	33,111,793	31,991,223
Refinance Loans	8,632,690	8,510,440
Credit Cards	7,797,586	7,162,363
Margin Trading	2,999,107	4,508,146
Factoring	1,850,487	1,630,891
Term Loans	261,486,656	234,656,074
Total Gross Loans and Advances - Local Currency	442,250,028	423,424,385
Foreign Currency		
Export Bills	3,013,553	5,409,459
Import Bills	495,370	647,607
Local Bills	5,035	869
Overdrafts	679,910	683,306
Revolving Import Loans	621,332	1,443,978
Packing Credit Loans	11,790,930	17,274,822
Housing Loans	110,496	212,938
Term Loans	38,238,555	41,334,520
Total Gross Loans and Advances - Foreign Currency	54,955,181	67,007,499
Total Gross Loans and Advances	497,205,209	490,431,884

		Bank/G	roup
		2023	202
		LKR '000	LKR '00
2	By Currency		
	Sri Lankan Rupee	442,250,028	423,424,38
	United States Dollar	54,583,523	66,638,40
	Great Britain Pound	329,377	335,29
	Japanese Yen	18,865	16,89
	Australian Dollar	12,127	16,90
	Euro	11,289	
	Total Gross Loans and Advances	497,205,209	490,431,88
}	By Industry Agriculture, Forestry and Fishing	51,741,694	61,887,88
2	Rv Industry		
	Manufacturing	75,717,705	65,498,658
	Tourism	23,639,989	24,039,31
	Transportation and Storage	14,248,937	9,498,38
	Construction	60,419,339	69,838,60
	Infrastructure Development	16,076,242	17,539,54
	Wholesale and Retail Trade	64,173,116	52,473,82
	Information Technology and Communication Services	6,028,933	4,972,92
	Financial Services	41,419,808	41,857,30
	Professional, Scientific and Technical Activities	8,216,146	8,249,12
	Arts, Entertainment and Recreation	442,293	471,73
	Education	931,488	982,07
	Healthcare, Social Services and Support Services	10,887,730	11,085,53
	Consumption	119,196,950	118,563,14
	Lending to Overseas Entities	4,064,839	3,473,823
	Total Gross Loans and Advances	497,205,209	490,431,884

25.2 Lease Rentals Receivable

		Bank/Group				
		2023			2022	
	Gross Lease Rentals Receivables	Unearned Income	Total	Gross Lease Rentals Receivables	Unearned Income	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Lease Rentals Receivable within One Year	12,112,416	(3,212,396)	8,900,020	13,045,362	(3,168,789)	9,876,573
Lease Rentals Receivable Later than One Year and Not Later than Five Years	16,891,858	(2,755,308)	14,136,550	16,938,898	(2,781,214)	14,157,684
Lease Rentals Receivable Later than Five Years	1,400	(166)	1,234	1,970	(108)	1,862
Total Lease Rentals Receivable	29,005,674	(5,967,870)	23,037,804	29,986,230	(5,950,111)	24,036,119

		Bank/Group	
		2023	2022
		LKR '000	LKR '000
25.3	Movements in Expected Credit Loss Allowance on Loans & Advances		
	Balance as at 01 January	46,212,376	23,928,831
	Charge/(Write back) to Income Statement (Note 13.1)	15,342,429	21,447,905
	Reversal for Write-Off during the Year	(72,484)	(97,301)
	Interest Accrued on Impaired Loans and Advances (Note 8.1)	(1,041,465)	(698,299)
	Exchange Rate Movements	(768,117)	1,631,240
	Balance as at 31 December	59,672,739	46,212,376

25.3.1 Stagewise Movements in Expected Credit Loss Allowance during the year

Stage 1		
Balance as at 01 January	6,207,450	2,719,224
Charge/(Write back) to Income Statement (Note 13.1)	(3,011,561)	3,350,366
Exchange Rate Movements	(25,369)	137,860
Balance as at 31 December	3,170,520	6,207,450
Stage 2		
Balance as at 01 January	6,450,019	2,056,798
Charge/(Write back) to Income Statement (Note 13.1)	1,468,474	4,384,081
Exchange Rate Movements	(34,082)	9,140
Balance as at 31 December	7,884,411	6,450,019
Stage 3		
Balance as at 01 January	33,554,907	19,152,809
Charge/(Write back) to Income Statement (Note 13.1)	16,885,516	13,713,458
Reversal for Write-Off during the Year	(72,484)	(97,301)
Interest Accrued on Impaired Loans and Advances (Note 8.1)	(1,041,465)	(698,299)
Exchange Rate Movements	(708,666)	1,484,240
Balance as at 31 December	48,617,808	33,554,907

Assessment of implications of adverse economic conditions

For facilities affected by prevailing adverse economic conditions and / or subject to any repayment deferral arrangements, an assessment of Significant Increase in Credit Risk (SICR) has been determined based on various measures of the customer's current financial position, future earnings capacity and the sectors in which the customers operate from which the facilities are categorised into risk categories. SICR is then determined based on the risk categorisation, facilities have been stress tested and required allowance overlays have been made.

Key Judgements and Estimates

In estimating collectively assessed Expected Credit Loss (ECL), the Bank makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology, noting that the modelling of the Bank's ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions used by the Bank in relation to the ECL model inputs, the interdependencies between those inputs, and highlights the significant changes during the current year.

The judgements and associated assumptions have been made within the context of the impact of prevailing adverse economic conditions and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to the impact of prevailing adverse economic conditions, judgements and assumptions include the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. Accordingly, the Bank's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/ Assumption	Description	Considerations for the year ended
		31 December 2023
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'Stage 1' to 'Stage 2'. This is a key area of judgement since transition from 'Stage '1 to 'Stage 2' increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses.	The Bank has assessed the impact of the adverse economic conditions on its customer portfolio and assessments have been carried out based on the discussions with the customers on the future business cashflows, financial position, the sectors in which the businesses operate, and ability to recommence loan repayments to conclude whether there is SICR. The Bank also takes into consideration the current adverse economic developments in order to assess cashflow projections for future recoveries. The main factors that cause uncertainties regarding this application relate to the unstable economic environment prevailing in the country and the resultant implications on the creditworthiness of the borrowers.
Measuring both 12- month and lifetime credit losses	The Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) credit risk parameters used in determining ECL are point-in time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Bank's policy on impairment model that stipulates periodic Model monitoring, periodic revalidation and the approval procedures and authorities according to model materiality.
	In addition, judgement is required where behavioural	There were no material changes to the policies during the year ended 31 December 2023. As the moratorium schemes ended in 2022, the PDs and LGDs have been computed based on the actual stage movements and current economic condition adjustment have been made as post model adjustments based on stress testing and historic patterns to better reflect the adequacy of ECL. There were no material changes to behavioural lifetime
	characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	estimates during the year ended 31 December 2023.
Base case economic forecast	The Bank derives a forward-looking "base case" economic scenario which reflects the it's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward- looking variables (key economic drivers) used as model inputs in the current year.
		As at 31 December 2023, the base case assumptions have been updated to reflect the evolving situation with respect to the economic conditions prevailing in the country, the economic factor adjustments were incorporated to the model by using the economic forecasts provided by Central Bank of Sri Lanka (CBSL) and International Monetary Fund (IMF) and based on forecast model techniques.
Probability weighting of each economic scenario (base case, best and worst scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continuing impact of the prevailing adverse economic conditions.

Judgement/ Assumption	Description	Considerations for t	he year ended	
-		31 December 2023		
		In addition to the base of lingering effects of the eresidual impact of COVI been applied to the wor assessment of ongoing economic conditions. The are subject to a high de and therefore the actual different to those project	economic downturn D-19, greater weigh st scenario given the uncertainties associ ne assigned probabil gree of inherent unc I outcomes may be s	and the ting has e Bank's ated with ity weightings certainty
		Scenario	2023	2022
		Base Case	15%	15%
		Best Case	5%	5%
		Worst Case	80%	80%
		economic crisis, the Bar the weightages applied	in 2022.	
Post model adjustments (Management overlay)	Post model adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to Bank's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of post model adjustments may impact the amount of ECL recognised.	Management have appl the modelled ECL as po due to the uncertainty a adverse economic cond on customers operating customers and stress c	st model adjustmen ssociated with the itions, resultant imp in the risk elevated	ts primarily prevailing lications
	The uncertainty associated with the prevailing adverse economic conditions and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management overlays (i economic conditions) w modelled ECL provision risk elevated sectors ide customers identified as	hich have been adde made for risks parti entified by the Bank	ed to the cular for and any

26 Financial Assets Measured at Amortised Cost - Debt and Other Instruments

	Bank		Gro	roup	
	2023 2022		2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Government Securities - Treasury Bills (Note 26.1)	14,715,608	6,052,565	14,986,760	6,323,439	
Government Securities - Treasury Bonds (Note 26.1)	72,594,101	85,560,849	72,594,101	85,560,849	
Sri Lanka Development Bonds (SLDB) (Note 26.6.2)	-	2,583,970	-	2,583,970	
Sri Lanka International Sovereign Bonds (ISB) (Note 26.6.3)	12,094,919	12,842,058	12,094,919	12,842,058	
United States - Treasury Bills	9,670,956	-	9,670,956	-	
Quoted Debentures (Note 26.2)	213,321	294,732	213,321	294,732	
Unquoted Debentures (Note 26.3)	538,188	595,383	538,188	595,383	
Securities Purchased under Resale Agreements	817,150	3,628,549	817,150	3,628,549	
Total Financial Assets Measured at Amortised Cost	110,644,243	111,558,106	110,915,395	111,828,980	
Expected Credit Loss Allowance (Note 26.6)	(6,289,733)	(5,399,228)	(6,289,733)	(5,399,228)	
Net Financial Assets Measured at Amortised Cost	104,354,510	106,158,878	104,625,662	106,429,752	

Government Domestic Debt Optimisation (DDO) Arrangement of the Government Securities 26.1

Sri Lanka has been facing a challenging economic situation amid an increasingly difficult global economic environment. The Government of Sri Lanka announced its plans to restructure its foreign currency denominated Treasury Bonds (Sri Lanka Development Bonds - SLDBs and Sri Lanka Internal Sovereign Bonds - SLISB) in April 2022.

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In June 2023, the Government announced the International Monetary Fund (IMF) supported Domestic Debt Optimization program (DDO). The DDO announced and designed to achieve a target level of debt sustainability, stated that it will carve out the Local currency Treasury bills and bonds held by the Employees Provident Funds and the Central Bank of Sri Lanka (CBSL), hence excluding the rest of the local currency Treasury bills and bonds. The said DDO has been completed by the reporting date with the specified portfolio referred to above.

Accordingly, the DDO has not restricted the government's ability to continue to repay the principal and interest on local currency-denominated Treasury bills and Bonds. Further, the Banking Act Direction No. 14 of 2021, Classification, Recognition, and Measurement of Financial Assets other than Credit Facilities in Licensed Banks, issued by the Monetary Board, Central Bank of Sri Lanka requires LGD of zero to be applied to these Government securities, accordingly, the Bank's overall Expected Credit Loss (ECL) on these instruments has been considered to be effectively zero.

Considering the above, currency denominated Tbills and Tbonds continue to be classified under Stage 1.

Refer Note 26.6.2 for the classification and accounting treatment adopted by the Bank for the SLDBs and the LKR bonds issued instead of the SLBDs in August 2023.

Refer Note 26.6.3 for the classification of SLISBs and assessment of expected credit loss carried out by Bank as at reporting date.

		Bai	ık	Group		
	As at 31 December	2023	2022	2023	2022	
		LKR '000	LKR '000	LKR '000	LKR '000	
26.2	Quoted Debentures					
	Singer Finance PLC (750,000 Debentures of LKR 100/- each)	-	81,411	-	81,411	
	Ceylon Electricity Board (2,000,000 Debentures of LKR 100/- each)	213,321	213,321	213,321	213,321	
	Total Quoted Debentures Measured at Amortised Cost	213,321	294,732	213,321	294,732	
26.3	Unquoted Debentures					
	HNB Finance PLC	538,188	595,383	538,188	595,383	
	Total Unguoted Debentures Measured at Amortised Cost	538,188	595,383	538,188	595,383	

Analysis of Financial Assets Measured at Amortised Cost - Debt and Other Instruments 26.4

As at 31 December

		LKR '000	LKR '000	LKR '000	LKR '000
26.4.1	By Currency				
	Sri Lankan Rupee	88,878,368	96,132,078	89,149,520	96,402,952
	United States Dollar	21,765,875	15,426,028	21,765,875	15,426,028
	Total Financial Assets Measured at Amortised Cost	110,644,243	111,558,106	110,915,395	111,828,980
26.4.2	By Collateralisation	LKR '000	LKR '000	LKR '000	LKR '000
	Pledged as Collateral	5,842,235	12,542,480	5,842,235	12,542,480
	Unencumbered	104,802,008	99,015,626	104,802,008	99,286,500
	Total Financial Assets Measured at Amortised Cost	110,644,243	111,558,106	110,915,395	111,828,980

Reconciliation for Financial Assets Measured at Amortised Cost - Debt and Other Instruments 26.5

	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January	106,158,878	67,992,449	106,429,752	68,156,417
Reclassification during the year (Note 26.7)	-	24,889,244	-	24,889,244
Net acquisitions and maturities during the year	(284,659)	17,988,809	(284,381)	18,095,715
Expected Credit Losses during the year (Note 26.6)	(1,519,709)	(4,711,624)	(1,519,709)	(4,711,624)
Balance as at 31 December	104,354,510	106,158,878	104,625,662	106,429,752

26.6 Movements in Expected Credit Loss during the Year

	Bank		Group				
	2023	2023 2022 2023	2023 2022 2023		2023 2022 2023 2		2022
	LKR '000	LKR '000	LKR '000	LKR '000			
Balance as at 01 January	5,399,228	687,604	5,399,228	687,604			
Charge / (Write back) to Income Statement (Note 13)	1,519,709	4,711,624	1,519,709	4,711,624			
Exchange Rate Movement	(629,204)	-	(629,204)	-			
Balance as at 31 December	6,289,733	5,399,228	6,289,733	5,399,228			

26.6.1 Stagewise Movements in Expected Credit Loss during the Year

	Ba	nk	Group		
As at 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Stage 1					
Balance as at 01 January	118	687,604	118	687,604	
Charge / (Write back) to Income statement	257	(687,486)	257	(687,486)	
Balance as at 31 December	375	118	375	118	
Stage 2					
Balance as at 01 January	5,399,110	-	5,399,110	-	
Charge / (Write back) to Income statement	1,519,452	5,399,110	1,519,452	5,399,110	
Exchange Rate Movement	(629,204)		(629,204)		
Balance as at 31 December	6,289,358	5,399,110	6,289,358	5,399,110	

26.6.2 Accounting Treatment for LKR bonds issued instead of the SLDBs

On 1 July 2023, the Sri Lankan Parliament approved the Government's policy on domestic public debt optimization strategy. The Sri Lanka Development Bonds (SLDBs) held by the Bank were subject to this Debt Domestic Optimization (DDO) strategy. Consequently on 15 August 2023, the Bank exchanged its outstanding SLDBs, valued at USD 7 Mn for local currency denominated treasury bonds. These treasury bonds comprise of two new instruments with variable coupons. The Bank received local currency denominated Treasury bonds in exchange of SLDBs.

Following this settlement, the Bank reversed an impairment provision of LKR 904 Mn that has been recognized for SLDBs as at the date of exchange, to the profit or loss. The Bank recognised an impairment loss of LKR 103 Mn on the initial recognition of the LKR denominated Treasury bonds that were received in exchange in August 2023.

Based on the explanation provided in Note 26.1, the LKR denominated Treasury Bonds received in exchanged of the SLDBs referred to above have been classified under Stage 1 from the date of initial recognition and the Expected Credit Loss (ECL) on these instruments has been considered to be effectively zero.

26.6.3 Classification of ISBs and assessment of expected credit allowance

As explained in Note 26.1, the Government of Sri Lanka announced its plans to restructure the ISBs in April 2022 and the negotiations are ongoing with the lenders as of 31 December 2023.

The Government announcement of its restructuring plans was considered to be a Significant Increase in Credit Risk indicator and accordingly, the said ISBs were classified under Stage 2 by the Bank in 2022. As the negotiations are yet to commence, and no further changes have taken place in relation to these ISBs, whilst the macro economic environment have improved relatively to that of last year, the ISBs continue to be reported under Stage 2 as of 31 December.

As at the reporting date the negotiations between GoSL and external creditors (Both market borrowings and bilateral borrowings) are still ongoing. As the final outcome is yet to be known, the Bank has carried out a worst case scenario assessment of expected credit loss on the ISBs on conclusion of the negotiations, based on the assumptions on possible hair cut, features of the new instrument that may be issued and resultant fair value loss. Considering these uncertainties around the final haircut amount, possible fair value loss, as well as the ECL on the new instrument that may be issued. The Bank has made a worst case scenario provision cover of 52% on the outstanding provision as at reporting date which amounted to LKR 6,289 Mn. Accordingly the Bank has made an impairment loss provision of LKR 1,520 Mn during the year to arrive at the said 52% provision cover. This has been included under the Note 13 in the Income Statement.

The above assessment has been carried out based on the facts and circumstances as of 31 December 2023 and the Bank will continue reassess the judgments and assumptions used on an ongoing basis based on facts and circumstances prevailing as of the future reporting dates.

26.7 Reclassification of Debt Portfolio

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio" which provides a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVOCI) to Amortised cost.

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The Bank adopted the above SoAT and re-classified its Debt Portfolio from Fair Value Through Other Comprehensive Income (FVOCI) to Amortised Cost (AC) with effect from 01 April 2022. The Bank did not reclassifying any portfolio during the year.

	Bank/Group
	2022
	LKR '000
Fair value of financial assets as at reclassification date	22,832,303
Accumulated fair value loss as at reclassification date	2,056,941
Total Financial Assets reclassified to Financial Assets Measured at Amortised Cost - Debt and Other Instruments	24,889,244

If the assets lying in the current portfolio had continued to be measured as Fair Value through Other Comprehensive Income, the fair value and the cumulative mark to market loss as at 31st December 2023 would have been LKR 9,495,929,244.00 (LKR 3,796,589,606.00 for 2022) and LKR 411,684,299.00 (LKR 3,371,118,232.00 for 2022) respectively.

27 Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)

	Ba	nk	Group		
As at 31 December	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Quoted Equities (Note 27.1)	1,381,002	1,126,819	1,381,002	1,126,819	
Unquoted Equities (Note 27.2)	421,853	373,802	421,853	373,802	
Government Securities - Treasury Bills (Note 26.1)	26,893,819	11,396,357	26,893,819	11,396,357	
Government Securities - Treasury Bonds Note 26.1)	11,352,037	4,239,308	11,590,191	4,239,308	
Quoted Debentures (Note 27.3)	-	-	-	49,897	
Total Financial Assets Measured at FVOCI	40,048,711	17,136,286	40,286,865	17,186,183	

27.1 Quoted Equities

The Bank designated certain investments shown in the following table as Equity Investments at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

As at 31 December		2023			2022	
	No. of Ordinary Equities	Cost	Fair Value	No. of Ordinary Equities	Cost	Fair Value
		LKR '000	LKR '000		LKR '000	LKR '000
Banks, Finance and Insurance						
The Finance Company PLC	1,003,163	29,393	-	1,003,163	29,393	-
Diversified Holdings						
John Keells Holdings PLC	527,135	95,168	100,683	527,135	95,168	71,295
Financial Services						
HNB Finance PLC	233,200,000	2,332,000	1,212,640	233,200,000	2,332,000	979,440
Hotels and Travels						
John Keells Hotels PLC	1,317,311	16,203	24,765	1,317,311	16,203	21,736
Jetwing Symphony PLC	3,328,749	49,931	27,961	3,328,749	49,931	34,619
Manufacturing						
Chevron Lubricants Lanka PLC	120,407	19,329	10,873	120,407	19,329	11,619
Power and Energy						
Lanka IOC PLC	40,000	1,825	4,080	40,000	1,825	8,110
Total Quoted Equity Investments						
Measured at FVOCI - Bank/Group		2,543,849	1,381,002		2,543,849	1,126,819

27.2 **Unquoted Equities**

As at 31	December

As at 31 December	2023			2022			
	No. of Ordinary Equities	Cost	Fair Value	No. of Ordinary Equities	Cost	Fair Value	
		LKR '000	LKR '000		Rs 000	LKR '000	
Bank							
Credit Information Bureau of Sri Lanka	2,900	290	63,366	2,900	290	61,487	
Lanka Clear (Pvt) Limited	1,006,601	11,163	284,533	1,006,601	11,163	234,652	
Lanka Financial Services Bureau Limited	500,000	5,000	-	500,000	5,000	-	
Transnational Lanka Records Solutions (Pvt) Limited	1,000,000	10,000	73,954	1,000,000	10,000	77,663	
Total Unquoted Equity Investments Measured at FVOCI - Bank		26,453	421,853		26,453	373,802	
Subsidiary							
Standard Credit Finance Limited	8,040,969	44,041	-	8,040,969	44,041	-	
Total Unquoted Equity Investments Measured at FVOCI - Subsidiary		44,041	-		44,041	-	
Total Unquoted Equity Investments Measured at FVOCI - Group		70,494	421,853		70,494	373,802	

Fair value is based on Net Assets per Share Basis as per the Audited Financial Statements of these Companies as at following dates:

Credit Information Bureau of Sri Lanka - 31 December 2022 LankaClear (Pvt) Limited - 31 March 2023 Lanka Financial Services Bureau Limited - 31 March 2023 Transnational Lanka Records Solutions (Pvt) Limited - 30 June 2023

Dividend received from Quoted and Unquoted Equities Investments measured at FVOCI disclosed in Note 12.

27.3 **Quoted Debentures**

	2023		2022	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
LOLC Finance PLC (500,000 Debentures of Rs. 100/- each)	-	-	53,091	49,897
Total Quoted Debentures Measured at FVOCI - Subsidiary	-	-	53,091	49,897
Total Quoted Debentures Measured at FVOCI - Group	-	-	53,091	49,897

27.4 Analysis of Financial Assets Measured at FVOCI

27.4.1 By Currency

	Bank		Group	
	2023 2023		2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	40,048,711	17,136,286	40,286,865	17,186,183
Total Financial Assets Measured at FVOCI	40,048,711	17,136,286	40,286,865	17,186,183

27.4.2 By Collateralisation

	Bank		Group	
	2023 2022		2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Pledged as Collateral	-	393,900	-	393,900
Unencumbered	40,048,711	16,742,386	40,286,865	16,792,283
Total Financial Assets Measured at FVOCI	40,048,711	17,136,286	40,286,865	17,186,183

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27.5 Financial Assets Measured at FVOCI Consists of

	Bank		Gro	up
	2023 2022		2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Total Cost/Amortised Cost	39,841,776	18,219,139	40,126,710	18,316,263
Accumulated Fair Value Change recognised through				
-Other comprehensive income	206,935	(1,082,853)	160,155	(1,130,089)
-Income statement (Note 27.6)	-	-	-	9
Total Accumulated Fair value Change (Note 27.7)	206,935	(1,082,853)	160,155	(1,130,080)
Total Financial Assets Measured at FVOCI	40,048,711	17,136,286	40,286,865	17,186,183

27.6 Movements in Expected Credit Loss allowance During the year

	Ba	nk	Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Stage 1				
Balance as at 01 January	-	14,940	9	14,949
Charge / (Write back) to Income statement (Note 13)	-	(14,940)	(9)	(14,940)
Balance as at 31 December	-	-	-	9

27.7 Accumulated Fair Value Change

	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	(1,082,853)	(276,548)	(1,130,080)	(312,809)
Fair value change during the year	1,289,788	(806,305)	1,290,235	(817,271)
Balance as at 31 December	206,935	(1,082,853)	160,155	(1,130,080)

27.8 Derecognition of Equity Investments Measured at FVOCI

	2023		2022	
	Fairvalue as at Cumulative Disposal Date Gain or (Loss) on Disposal		Fairvalue as at Disposal Date	Cumulative Gain or (Loss) on Disposal
	LKR '000	LKR '000	LKR '000	LKR '000
Bank				
Lanka IOC	-	-	12,817	9,396
Total Derecognition of Equity Investments Measured at FVOCI-Bank/ Group	-	-	12,817	9,396

28 Investment in Subsidiary

			2023			2022			
	Primary Activity	No of Ordinary Equities	Holding %	Cost	Market Value	No of Ordinary Equities	Holding %	Cost	Market Value
				LKR '000	LKR '000			LKR '000	LKR '000
Seylan	Property								
Developments	Development/								
PLC	Management	104,332,112	70.51	1,153,602	1,502,382	104,332,112	70.51	1,153,602	1,231,119
				1,153,602	1,502,382			1,153,602	1,231,119

28.1 Non-Controlling Interest (NCI) in Subsidiary, Seylan Developments PLC

	2023	2022
	LKR' 000	LKR' 000
NCI (%)	29.49	29.49
Total Assets	6,546,182	6,354,869
Total Liabilities	1,076,608	1,066,133
Net Assets	5,469,574	5,288,736
Carrying Amount of NCI (Note 28.2)	1,316,044	1,264,408
Revenue	393,801	391,369
Profit	353,813	238,955
Total Comprehensive Income	358,396	222,257
Profit Allocated to NCI	79,506	3,411
Cash Flow from Operating Activities	203,966	288,431
Cash Flow from Investing Activities	97,093	(59,765)
Cash Flow from Financing Activities - Before Dividend to NCI	(125,196)	(146,062)
Cash Flow from Financing Activities - Cash Ddvidend to NCI	(52,362)	(61,089)
Net Increase/ (Decrease) in Cash and Cash Equivalents	123,501	21,515

28.2 Carrying Amount of Non Controlling Interest (NCI)

	2023	2022
	LKR' 000	LKR' 000
Balance as at 01 January	1,264,408	1,328,593
Profit for the year	79,506	3,411
Other Comprehensive Income, net of Tax	24,492	(6,507)
Other Transactions with Equity Holders, Recognised Directly in Equity	(52,362)	(61,089)
Balance as at 31 December	1,316,044	1,264,408

29 Group Balances Receivable

	Ban	K
	2023	2022
	LKR' 000	LKR' 000
Seylan Developments PLC	40,500	64,435
Balance as at 31 December	40,500	64,435

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30 Property, Plant and Equipment

Bank	Freehold Land	Freehold Buildings	Computer Equipment	Office Machines and Equipment	Fixtures, Fittings and Furniture	Motor Vehicles	Leased Assets	2023 Total	2022 Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cost / Valuation									
Balance as at 01 January	1,912,805	340,149	4,719,673	1,447,771	2,271,455	156,272	48,065	10,896,190	10,721,112
Additions and Improvements	-	-	703,615	21,528	29,484	580	-	755,207	192,907
Disposals / Write-Offs	-	-	(548)	(3,627)	(360)	(7,881)	-	(12,416)	(17,829)
Balance as at 31 December	1,912,805	340,149	5,422,740	1,465,672	2,300,579	148,971	48,065	11,638,981	10,896,190
Accumulated Deprecia	tion								
Balance as at 01 January	-	19,660	3,541,716	1,325,714	2,048,146	142,348	48,065	7,125,649	6,431,195
Charge for the Year	-	19,659	460,147	52,860	110,618	7,814	-	651,098	712,206
Disposals / Write-Offs	-	-	(548)	(3,627)	(360)	(7,881)	-	(12,416)	(17,752)
Balance as at 31 December	-	39,319	4,001,315	1,374,947	2,158,404	142,281	48,065	7,764,331	7,125,649
As at 31 December 20	23								
Cost / Valuation less Accumulated									
Depreciation	1,912,805	300,830	1,421,425	90,725	142,175	6,690	-	3,874,650	
Accumulated Impairment	-	-	-	-	-	-	-	-	
Net Carrying Amount	1,912,805	300,830	1,421,425	90,725	142,175	6,690	-	3,874,650	
Market Value *	1,912,805	300,830							
As at 31 December 20	22								
Net Carrying Amount	1,912,805	320,489	1,177,957	122,057	223,309	13,924	-		3,770,541

* Market value of freehold land and buildings were estimated as a revalued amount less subsequent depreciation, the details of which has been provided in Note 30.4.

There were no capitalised borrowing costs pertaining to the acquisition of Property, Plant and Equipment of the Bank during the year 2023 (2022- Nil).

There is a pending case against the Bank in the District Court of Badulla related to property at Bandarawela.

Other than the property mentioned above, there are no restrictions on the title of the Property, Plant and Equipment of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

The Bank holds properties at Balangoda and Deal Place, Colombo 03, worth LKR 13 Mn and 209 Mn respectively. Bank will decide the future course of action on these two properties.

30.2 Grou

Group	Freehold Land	Freehold Buildings	Computer Equipment	Office Machines and	and	Motor Vehicles	Leased Assets	2023 Total	2022 Total
	1.1/101000	1.1/10/00	L KBIOOO	Equipment	Furniture	LICEIOCO	1.1/1210.000	LKBIOOO	
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Cost / Valuation									
Balance as at 01 January	1,912,805	2,971,506	4,727,973	1,657,661	2,289,297	156,272	48,065	13,763,579	13,643,459
Additions and Improvements	-	-	703,911	24,276	29,484	580	-	758,251	197,090
Net Surplus /(Deficit) on Revaluation	-	82,154	-	-	-	-	-	82,154	(59,141)
Disposals / Write-Offs	-	-	(548)	(3,627)	(360)	(7,881)	-	(12,416)	(17,829)
Balance as at 31 December	1,912,805	3,053,660	5,431,336	1,678,310	2,318,421	148,971	48,065	14,591,568	13,763,579
Accumulated Depreciat	tion								
Balance as at 01 January	-	19,660	3,547,141	1,483,083	2,060,375	142,346	48,065	7,300,670	6,579,712
Charge for the Year	-	58,355	461,204	75,427	112,043	7,814	-	714,843	777,708
Revaluation Adjustment on Accumulated									
Depreciation	-	(38,696)	-	-	-	-	-	(38,696)	(38,993)
Disposals / Write-Offs	-	-	(548)	(3,627)	(360)	(7,881)	-	(12,416)	(17,757)
Balance as at 31 December	-	39,319	4,007,797	1,554,883	2,172,058	142,279	48,065	7,964,401	7,300,670
As at 31 December 202	3								
Cost / Valuation less Accumulated									
Depreciation	1,912,805	3,014,341	1,423,539	123,427	146,363	6,692	-	6,627,167	
Accumulated impairment	-	-	-	-	-	-	-	-	
Net Carrying Amount	1,912,805	3,014,341	1,423,539	123,427	146,363	6,692	-	6,627,167	
Market Value *	1,912,805	3,014,341							
As at 31 December 202	2								
Net Carrying Amount	1,912,805	2,951,846	1,180,832	174,578	228,922	13,926	-		6,462,909

* Market value of freehold land and buildings were estimated as a revalued amount less subsequent depreciation, the details of which has been provided in Note 30.4.

Investment property rented to Seylan Bank PLC by its subsidiary, Seylan Developments PLC is classified as Property, Plant and Equipment in the Group Financial Statements.

30.3 Fully Depreciated/ Amortised Assets

The initial cost of Fully Depreciated Property, Plant and Equipment and Fully Amortised Intangible Assets (software and software related) as at 31 December which are still in use as follows;

	Bai	nk	Gro	up	
	2023 2022		2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Computer Equipment	2,506,970	2,069,892	2,507,752	2,070,674	
Office Machines and Equipment	1,198,398	1,067,554	1,252,920	1,120,556	
Fixtures, Fittings and Furniture	1,849,862	1,588,698	1,860,254	1,597,077	
Motor Vehicles	119,521	102,577	119,521	102,577	
Leased Assets	48,065	48,065	48,065	48,065	
Total Fully Depreciated Property, Plant and Equipment	5,722,816	4,876,786	5,788,512	4,938,949	
Total Fully Amortised Intangible Assets	1,932,690	1,738,914	1,932,690	1,738,914	
Total Fully Depreciated/ Amortised Assets	7,655,506	6,615,700	7,721,202	6,677,863	

30.4 Freehold Land and Buildings

The Bank has revalued its land and buildings and the valuations were made on the basis of market values for existing use. Such valuations were carried out by an independent professionally qualified valuer, Mr. D N D Baranage (GMIV Sri Lanka and MRICS London). The effective date of the revaluation is 31 December 2021 and subsidiary is revalued its land and buildings annually.

The book values of the properties were adjusted to the revalued amount and the resultant surplus or deficit was transferred to the revaluation reserve or Income Statement respectively.

	Address	Address Method of Valuation and Rang Significant Unobservable for U Inputs Input		Extent	Cost/ Valuation		Accumulated Depreciation	Net Book Value	
					Land Building				
					LKR'000	LKR'000	LKR'000	LKR'000	
	Mt. Lavinia	Market Comparable Method		36.30 P	154,480	17,091	2,148	169,423	
	198, Galle Road, Ratmalana	Price per perch for land Price per square foot for building	LKR 4,000,000 p.p LKR 1,500 p.sq.ft to LKR 3,750 p.sq.ft						
2	Badulla	Market Comparable Method		1 R 5.50 P	208,800	24,800	2,088	231,512	
	10, Cocowatte Road, Badulla	Price per perch for land Price per square foot for building	LKR 4,500,000 p.p LKR 4,000 p.sq.ft						
3	Kochchikade	Market Comparable Method		8.00 P	20,000	20,587	2,547	38,040	
	66, Chilaw Road, Kochchikade	Price per perch for land Price per square foot for building	LKR 2,500,000 p.p LKR 4,500 p.sq.ft						
1	Avissawella	Market Comparable Method		18.92 P	94,600	22,140	3,182	113,558	
	71, Ratnapura Road, Avissawella	Price per perch for land Price per square foot for building	LKR 5,000,000 p.p LKR 4,000 p.sq.ft						
5	Grandpass	Market Comparable Method		1 R 6.00 P	262,200	34,030	5,303	290,927	
	401,Prince of Wales Avenue, Colombo 14	Price per perch for land Quantity allowance Price per square foot for building	LKR 6,000,000 p.p 5% LKR 2,000 p sq. ft to LKR 4,000 p.sq.ft						
6	Bandarawela	Market Comparable Method		27.01P	135,500	16,200	2,342	149,358	
,	Badulla Road, Bandarawela	Price per perch for land Price per square foot for building	LKR 5,000,000 p.p LKR 3,000 p.sq.ft	27.011	100,000	10,200	2,072	140,000	
7	Sarikkamulla	Market Comparable Method		11.56 P	13,872	11,070	1,018	23,924	
	97, Old Galle Road, Sarikkamulla	Price per perch for land Price per square foot for building	LKR 1,200,000 p.p LKR 3,000 p.sq.ft						
3	Raddolugama	Market Comparable Method		12.08 P	12,080	12,460	1,495	23,045	
	171, National Housing Scheme, Raddolugama	Price per perch for land Price per square foot for building	LKR 1,000,000 p.p LKR 3,500 p.sq.ft						
)	Nuwara-Eliya	Market Comparable Method		1 R 36.00 P	47,880	12,295	2,078	58,097	
	61, Haddon Hill Road, Nuwara-Eliya	Price per perch for land Quantity allowance Price per square foot for building	LKR 700,000 p.p 10% LKR 2,750 p.sq.ft						
0	Maradagahamula	Market Comparable Method		35.00 P	35,000	25,440	3,008	57,432	
	150, Divulapitiya Road, Maradagahamula	Price per perch for land Price per square foot for building	LKR 1,000,000 p.p LKR 4,000 p.sq.ft						
1	Anuradhapura	Market Comparable Method		1 R 3.65 P	54,562	-	-	54,562	
	23-A1 Anuradhanura	Price per perch for land	LKR 1,200,000 p.p						

	Address	Idress Method of Valuation and Range of Estimates Significant Unobservable for Unobservable Inputs Inputs		Extent	Cost	/ Valuation	Accumulated Depreciation	Net Book Value
					Land	Building		
					LKR'000	LKR'000	LKR'000	LKR'000
12	Embilipitiya	Market Comparable Method		22.10 P	44,020	42,075	4,741	81,354
	73, New Town Road, Embilipitiya	Price per perch for land Price per square foot for building	LKR 2,000,000 p.p LKR 3,750 p.sq.ft					
13	Nugegoda	Market Comparable Method		14.00 P	86,000	37,295	3,510	119,785
	211, High Level Road, Nugegoda	Price per perch for land	LKR 1,000,000 p.p to					
		Drice per equere feet for building	LKR 6,000,000 p.p					
		Price per square foot for building Depreciation Rate	LKR 4,750 p.sq.ft 10%					
14	Ratnapura	Market Comparable Method	10/0	6.13 P	37,248	11,016	1,057	47,207
17	6,Goods Shed	Price per perch for land	LKR 4,000,000 p.p	0.101	57,240	11,010	1,007	47,207
	Road, Ratnapura	Price per square foot for building	LKR 3,000 p.sq.ft					
15	Balangoda	Market Comparable Method		3 R 22.04 P	12,563	-	-	12,563
	Pettigala Road,	Price per perch for land	LKR 600,000 p.p					
	Balangoda	Quantity allowance	5%					
16	Deal Place	Market Comparable Method		19.00 P	208,640	-	-	208,640
	2,Deal Place, Colombo 3	Price per perch for land	LKR 16,000,000 p.p					
17	Gampola	Market Comparable Method		13.50 P	54,000	23,100	2,038	75,062
	44,Kandy Road, Gampola	Price per perch for land Price per square foot for building	LKR 4,000,000 p.p LKR 4,000 p.sq.ft					
18	Koggala	Market Comparable Method		20.00 P	-	5,850	989	4,861
	9, Export Processing Zone, Koggala	Price per square foot for building	LKR 3,000 p.sq.ft					
19	Negombo	Market Comparable Method		29.15 P	116,600	24,700	1,775	139,525
	115,Rajapaksa	Price per perch for land	LKR 4,000,000 p.p					
	Broadway, Negombo	Price per square foot for building	LKR 5,000 p.sq.ft					
20	Kandana	Market Comparable Method		1A1R 9.84P	314,760	-	-	314,760
	99, Station Road, Kandana	Price per perch for land	LKR 1,500,000 p.p					
	Total Freehold La	nd and Buildings-Bank			1,912,805	340,149	39,319	2,213,635
21	Seylan Towers - East Tower	Investment Method						
	90,Galle Road, Colombo 3	Estimated rent income per month per square foot for building	LKR 217.50 p.sq.ft		-	2,713,511	-	2,713,511
	Total Freehold Bu	ildings-Subsidiary			-	2,713,511	-	2,713,511
	Total Freehold La	nd and Buildings-Group			1,912,805	3,053,660	39,319	4,927,146

Descriptions of the above valuation techniques, together with narrative description on sensitivity of the fair value measurement to changes in significant unobservable inputs, are given below:

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Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would get increased / (decreased) if; Price per perch would get higher / (lower) Price per square foot would get higher / (lower)
Investment Method		Depreciation rate for building would get lower / (higher)
This method involves the capitalisation of the expected rental income at an appropriate rate of years purchased currently characterised by the real estate market.	Gross annual rentals Years of purchase	Estimated fair value would get increased / (decreased) if; Gross annual rentals would get higher / (lower) Years purchase would get
Depreciated Replacement Cost Method		higher / (lower)
This method involves the capitalisation of the expected cost of construction at an appropriate remaining life of the building.	Cost of construction Full life of building Remaining life of building	Estimated fair value would get increased / (decreased) if; Cost of construction would get higher / (lower)

30.5 Revaluation - Freehold Land and Buildings

The fair value measurements for all of the freehold land and buildings have been categorised as Level 3 fair value measurements.

If freehold land and buildings were stated at historical cost, the amounts would have been as follows:

	Bank						
		2023		2022			
Properties Revalued	Land	Buildings	Total	Land	Buildings	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cost	462,558	126,197	588,755	462,558	126,197	588,755	
Accumulated Depreciation	-	(61,467)	(61,467)	-	(58,334)	(58,334)	
Carrying Value	462,558	64,730	527,288	462,558	67,863	530,421	

31 Right-of-use Assets

SLFRS 16 - "Leases", requires lessee to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right-of-use assets.

31.1 Lease Payable as Lessee

Group has obtained certain branches and office premises under Lease. The leases generally run for a period of 10 years, with an option to renew the lease after that date. Bank's subsidiary, Seylan Developments PLC had entered in to a 99-year lease with the Urban Development Authority (UDA) with the view of set up/conduct and operate a business for the construction of an office and an apartment complex on the year of 1992. The Company pays a nominal rent to the UDA for occupying the land.

		Ban	k	Grou	ıp
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
	Balance as at 01 January	4,882,318	4,791,175	2,722,569	2,594,737
	Additions for the Year	757,866	551,432	757,866	551,432
	Depreciation Charge for the Year	(450,115)	(460,289)	(415,452)	(426,586)
	Reversal on Early Termination / Others	(75,551)	-	(329,020)	2,986
	Balance as at 31 December	5,114,518	4,882,318	2,735,963	2,722,569
31.1.1	Lease Liabilities				
	Balance as at 01 January	5,101,247	4,889,598	2,254,558	2,007,245
	Additions for the Year	680,543	494,206	680,543	494,206
	Accretion of Interest	484,065	470,008	191,603	185,678
	Payments	(792,238)	(752,565)	(507,121)	(474,202)
	Reversal on Early Termination / Others	(64,199)	-	(374,163)	41,631
	Balance as at 31 December	5,409,418	5,101,247	2,245,420	2,254,558
31.1.2	Amounts Recognised in Income Statement				
	Interest on Lease Liabilities	484,065	470,008	191,603	185,678
	Recognised in Interest Expenses	484,065	470,008	191,603	185,678
	Expenses relating to Short-Term and Low-Value Assets	11,577	6,264	11,577	6,264
	Depreciation - Right-of-use-Assets	450,115	460,289	415,452	426,586
	Recognised in Operating Expenses	461,692	466,553	427,029	432,850
	Total Amount recognised in Income Statement	945,757	936,561	618,632	618,528
31.1.1.3	Amounts recognised in Statement of Cash Flows				
	Repayment of Principal Portion of Lease Liability	792,238	752,565	507,121	474,202

31.2 Lease Receivable as Lessor

The Group rents its own properties through its subsidiary. Seylan Developments PLC leases out its investment property held under operating leases to its tenants.

Maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date as follows;

Maturity Analysis - Contractual Undiscounted Cash Flows	al Undiscounted Cash Flows Bank		Group		
	2023 2022		2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Less than one year	-	-	61,684	79,111	
Between one and five years	-	-	15,499	15,116	
	-	-	77,183	94,227	

32 Investment Properties

	Bai	nk	Gro	up
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
Balance as at 01 January	-	-	1,256,039	1,212,952
Additions during the Year	-	-	31,213	43,087
Cost as at 31 December (Note 32.1)	-	-	1,287,252	1,256,039
Provision for Impairment	-	-	(71,462)	(71,462)
Cost less Impairment as at 31 December	-	-	1,215,790	1,184,577
Accumulated Depreciation				
Balance as at 01 January	-	-	297,897	271,232
Charge for the Year	-	-	33,674	26,665
Balance as at 31 December	-	-	331,571	297,897
Carrying Value as at 31 December	-	-	884,219	886,680

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32.1 Investment Properties (Group) - 2023

	Group						
Extent	Date of Valuation	Cost	Market Value				
		LKR '000	LKR '000				
111,191sq.ft	31/12/2023	1,213,540	1,638,096				
0A 1R 05P	31/12/2023	3,361	5,200				
		70,351	-				
		1,287,252					
	111,191sq.ft	ExtentDate of Valuation111,191sq.ft31/12/2023	Valuation LKR '000 111,191sq.ft 31/12/2023 1,213,540 0A 1R 05P 31/12/2023 3,361 0 1 1 1				

* Full provision for impairment has been made.

Group has recorded LKR 104,154,805.00 (2022: LKR 103,704,324.00) as rental income for the year ended 31 December 2023.

Group has incurred LKR 29,238,092.00 (2022: LKR 25,506,079.00) as direct operating expenses and LKR 8,858,400.00 (2022: LKR 10,798,269.00) as repair and maintenance for the year ended 31 December 2023.

There were no direct expenses incurred for the properties, which do not generate rental income.

Methods and Assumptions used in the Fair Valuation of Investment Properties

Subsidiary-Sevlan Developments PLC

Property	Name and Qualifications of the Valuer	Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Key Unobservable Inputs and Fair Value Measurement
Seylan Towers -West Tower 90, Galle Road, Colombo 3.	Sunil Fernando & Associates (Pvt) Ltd. Chartered Valuation Surveyors	Market rental based Income Method of valuation and Depreciated Replacement Value basis of valuation have been adopted. As the subject property is of two mix uses, commercial and residential, a	Rentals of two similar residential apartment buildings have been taken as comparable residential market rents (LKR 625,000 and LKR 675,000).	There is a direct relationship between the estimated fair value and market rents.
		prudent investor is expected to make his bid to purchase on two different yields based on two different risks attached to the commercial and residential	All risk rates for residential segment of the subject property has been taken at 4.25% and 6%.	There is an inverse relationship between the estimated fair value and all risk rates.
		uses of the property.	Current replacement cost of construction is estimated as LKR 33,150 per sq. ft.	Estimated fair value of a building would increase if replacement cost gets higher.
			Full life of the building is taken as 100 years and the remaining life is taken as 65 years limiting them to the conditions in lease agreement.	Increase in lifetime of the building will result in to increase in the estimated fair value.
			Land value is taken at LKR 19,000,000 per perch.	Estimated fair value of land would increase if the market value of the land gets higher.
Moratuwa Lake Villas, St.Peter's Road, Moratuwa.	Sunil Fernando & Associates (Pvt) Ltd. Chartered Valuation Surveyors	 The valuation based on; observable inputs such as ARR, cost of sale, interest rates and cost of construction. the interest rate for capitalisation derived from the market sector and the risk yield a third party market participant accepts for such an investment. 	The available evidence of land values in the locality was considered.	Estimated fair value would increase if the market value of the land gets higher.

33 Intangible Assets

Software and Software Related	Bank/Gr	oup
	2023	2022
	LKR' 000	LKR' 000
Cost		
Balance as at 01 January	2,881,071	2,778,399
Additions for the Year	210,914	102,672
Balance as at 31 December	3,091,985	2,881,071
Accumulated Amortisation		
Balance as at 01 January	2,370,925	2,185,505
Amortisation for the Year	184,071	185,420
Balance as at 31 December	2,554,996	2,370,925
Net Carrying Amount	536,989	510,146

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There were no restrictions on the title of the Intangible Assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

34 Deferred Tax Liabilities / (Assets)

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January	(3,242,641)	257,574	(2,684,538)	582,395
Recognised in the Profit or Loss (Note 16.1.2)				
Charge / (Reversal) for the Year	(239,848)	(3,704,103)	(235,348)	(3,446,050)
Charge / (Reversal) for the Year - Impact on Changes in Tax Rate	-	(22,338)	-	(39,640)
	(239,848)	(3,726,441)	(235,348)	(3,485,690)
Recognised in Other Comprehensive Income				
Effect on Revaluation of Property, Plant & Equipment	-	-	36,255	(104,501)
Effect on Revaluation of Property, Plant & Equipment - Impact on Changes in Tax Rate		94,603	-	193,370
Effect on Net Fair Value Losses/(Gains) on Financial Investment measured at FVOCI	310,683	139,613	312,463	138,019
Effect on Net Fair Value Losses/(Gains) on Financial Investment measured at FVOCI - Impact on Changes in Tax Rate		(7,990)	-	(8,131)
Effect on Reclassification Portfolio	-	(493,666)	-	(493,666)
	310,683	(267,440)	348,718	(274,909)
Effect on Reclassification Portfolio	-	493,666	-	493,666
Recognised in Equity				
Balance as at 31 December (Notes 34.1)	(3,171,806)	(3,242,641)	(2,571,168)	(2,684,538)

As per the Inland Revenue (Amendment) Act No. 45 of 2022, the Income Tax rate has been increased from 24% to 30%. Accordingly deferred tax has been computed at 30%. The net deferred tax movement for the year 2022 includes the impact on change in tax rate amounting to LKR 145.60Mn from group deferred tax.

34.1 Analysis of Deferred Tax Assets and Liabilities

		Ba	nk			Gro	oup	
	202	23	202	2	20	23	202	2
	Temporary Difference	Тах	Temporary Difference	Tax	Temporary Difference	Тах	Temporary Difference	Тах
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Deferred Tax -								
Liabilities								
Property, Plant and								
Equipment	947,890	284,367	978,154	293,446	1,096,239	328,872	1,127,009	338,103
Lease Receivables	438,506	131,552	949,098	284,729	438,502	131,551	949,095	284,729
Revaluation Gain								
Brought Forward	-	-	-	-	1,595,001	478,500	1,595,001	478,500
Reserve on Land								
Revaluation	640,288	192,086	640,288	192,086	640,288	192,086	640,288	192,086
Reserve on Building								
Revaluation	107,894	32,368	107,894	32,368	107,894	32,368	107,894	32,368
Revaluation Surplus								
on Land	828,531	248,559	828,531	248,559	828,531	248,559	828,531	248,559
Other Provisions	-	-	16,654	4,996	-	-	16,653	4,996
Right-of-use Assets (SLFRS 16)	5,114,518	1,534,355	4,851,621	1,455,486	1,024,241	307,271	761,344	228,403
Fair value changes								
recognized through OCI	1,369,394	410,818	333,790	100,137	1,390,867	417,260	349,330	104,799
	9,447,021	2,834,105	8,706,030	2,611,807	7,121,563	2,136,467	6,375,145	1,912,543
Deferred Tax - Assets								
Leave Encashment								
Provision (Note 43.2)	357,314	107,194	252,450	75,735	357,310	107,193	252,447	75,734
Other Provisions	4,105	1,232	-	-	4,107	1,232	-	-
Enhanced Gratuity	2,158,579	647,574	1,568,424	470,527	2,158,581	647,574	1,568,424	470,527
Lease Liabilities (SLFRS	_,,	0.1.,01.1	1,000,121		_,,	,	1,000,121	11 0,021
16)	5,409,418	1,622,824	5,101,247	1,530,374	954,857	286,454	579,137	173,741
Expected Credit Loss	0,400,410	1,022,024	0,101,247	1,000,074	504,001	200,404	010,101	170,741
Allowances *	12,090,289	3,627,087	12,592,708	3,777,812	12,090,291	3,627,087	12,592,711	3,777,813
Reversal of Revaluation		-,,	,,.	-,,	,,	-,,	,,.	-,,
Loss on Property, Plant								
& Equipment		_	-	-	126,984	38,095	330,887	99,266
- 1. p	20,019,705	6,005,911	19,514,829	5,854,448	15,692,130	4,707,635	15,323,606	4,597,081
Net (Taxable)		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	, ,	. , -			, ,,	
/ Deductible								
Temporary								
Differences	(10,572,684)	(3,171,806)	(10,808,799)	(3,242,641)	(8,570,567)	(2,571,168)	(8,948,461)	(2,684,538)

* This amount includes the total impairment loss provision of LKR 4,596 Mn made for ISBs as at reporting date as described in Note 26.6.3. Accordingly, a deferred tax asset for the value of LKR 1,379 Mn has been recognised against the said provision (excluding the provision relating to interest) based on the current interpretation of the Tax Law and information available as at reporting date.

34.1.1 Movement in Temporary Differences

	Bank									
			2023			2022				
	Balance as at	Recognized in	Recognized	Recognized in	Balance as at	Balance as at	Recognized in	Recognized	Recognized in	Balance as at
	01 January	profit or loss	in Other Comprehensive	Equity	31 December	01 January	profit or loss	in Other Comprehensive	Equity	31 December
			Income					Income		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Taxable Temporary Differences										
Property, Plant and Equipment	978,154	(30,264)	-	-	947,890	1,045,894	(67,740)	-	-	978,154
Lease Receivables	949,098	(510,592)	-	-	438,506	1,345,235	(396,137)	-		949,098
Reserve on Land Revaluation	640,288	-	-	-	640,288	640,288		-		640,288
Reserve on Building Revaluation	107,894		-	-	107,894	107,894	-			107,894
Revaluation Surplus on Land	828,531	-	-	-	828,531	828,531				828,531
Other Provisions	16,654	(16,654)			-	-	16,654			16,654
Right-of-use Assets- (SLFRS 16)	4,851,622	262,896	-	-	5,114,518	4,741,073	110,549			4,851,622
Fair value changes recognized through OCI	333,790		1,035,604		1,369,394			333,790		333,790
	8,706,031	(294,614)	1,035,604		9,447,021	8,708,915	(336,674)	333,790	-	8,706,031
Deductible Temporary Differences										
Leave Encashment Provision (Note 43.2)	252,450	104,864		-	357,314	248,862	3,588	-	-	252,450
Other Provisions		4,105	-	-	4,105	140,565	(140,565)	-	-	-
Enhanced Gratuity	1,568,424	590,155	-	-	2,158,579	1,753,481	(185,057)	-	-	1,568,424
Lease Liabilities (SLFRS 16)	5,101,247	308,171		-	5,409,418	4,889,598	211,649			5,101,247
Expected Credit Loss Allowances	12,592,708	(502,419)	-	-	12,090,289	471,987	12,120,721	-		12,592,708
Fair value changes recognized through OCI		_	_	_	_	131,198		(131,198)	-	-
	19,514,829	504,876	-	-	20,019,705	7,635,691	12,010,336	(131,198)	-	19,514,829
Net (Taxable) / Deductible Temporary Differences	(10,808,798)	(799,490)	1,035,604		(10,572,684)	1,073,224	(12,347,010)	464,988		(10,808,798)

34.1.2 Movement in Temporary Differences

	Group									
	2023 2022									
	Balance as at 01 January	Recognized in profit or loss	Recognized in Other Comprehensive	Recognized in Equity	Balance as at 31 December	Balance as at 01 January	Recognized in profit or loss	Recognized in Other Comprehensive	Recognized in Equity	Balance as at 31 December
	LKR '000	LKR '000	Income	LKR '000	LKR '000	LKR '000	LKR '000	Income LKR '000	LKR '000	LKR '000
Deferred Tax Liabilities on						Livit 000	LINI 000	Lini ooo	ENT 000	ENT 000
Property, Plant and Equipment	1,127,009	(30,770)			1,096,239	1,195,169	(68,160)			1,127,009
Lease Receivables	949,095	(510,593)			438,502	1,345,232	(396,137)			949,095
Revaluation Gain Brought	343,033	(310,333)			400,002	1,040,202	(000,107)			343,033
Forward	1,595,001	-	-	-	1,595,001	1,595,001	-	-	-	1,595,001
Reserve on Land Revaluation	640,288	-	-	-	640,288	640,288	-	-	-	640,288
Reserve on Building Revaluation	107,894	-			107,894	107,894		-		107,894
Revaluation Surplus on Land	828,531	-			828,531	828,531				828,531
Right-of-use Assets (SLFRS 16)	761,344	262,897	-	-	1,024,241	15,174	746,170	-	-	761,344
Reversal of Revaluation Loss on Property, Plant & Equipment	-	-	-	-	-	51,116	-	(51,116)	-	-
Other Provisions	16,653	(16,653)			-	-	16,653			16,653
Fair value changes recognized through OCI	349,330	-	1,041,537	-	1,390,867	-	-	349,330		349,330
	6,375,145	(295,119)	1,041,537	-	7,121,563	5,778,405	298,526	298,214		6,375,145
Deferred Tax Assets on										
Leave Encashment Provision (Note 43.2)	252,447	104,863	-	-	357,310	248,860	3,587	-	-	252,447
Other Provisions		4,107		-	4,107	140,567	(140,567)			
Enhanced Gratuity	1,568,424	590,157	-	-	2,158,581	1,753,481	(185,057)		-	1,568,424
Lease Liabilities (SLFRS 16)	579,137	375,720		-	954,857	579,137	_		-	579,137
Tax Losses Carried Forward	-	-	-	-	-	22,213	(22,213)	_	-	
Expected Credit Loss Allowances	12,592,711	(502,420)	-	-	12,090,291	471,988	12,120,723	_	-	12,592,711
Reversal of Revaluation Loss on Property, Plant & Equipment	330,887	(83,053)	(120,850)	-	126,984	-	-	330,887	_	330,887
Fair value changes recognized through OCI		-	_			142,266	-	(142,266)	<u>.</u>	_
	15,323,606	489,374	(120,850)	-	15,692,130	3,358,512	11,776,473	188,621	-	15,323,606
Net (Taxable) / Deductible Temporary Differences										
Differences	(8,948,461)	(784,493)	1,162,387	-	(8,570,567)	2,419,893	(11,477,947)	109,593	-	(8,948,461)

35 Other Assets

	Ba	Bank		up
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Deposits & Prepayments	1,051,349	951,599	1,066,610	970,400
Clearing House Balance	5,332,204	3,406,604	5,332,204	3,406,604
Inventories	195,825	202,167	208,973	216,854
Sundry Debtors	2,688,471	1,557,790	2,688,471	1,557,790
Other Receivables	3,024,398	5,637,368	3,024,398	5,637,368
Due from Trust Companies	2,211	23	2,211	23
Prepaid Staff Cost	1,558,231	1,659,511	1,558,752	1,660,121
Other Debtors	2,519,005	1,440,695	2,525,143	1,472,159
Total Other Assets	16,371,694	14,855,757	16,406,762	14,921,319
Expected Credit Loss Allowance (Note 35.1)	-	(347,246)	-	(347,246)
Total Other Assets-Net	16,371,694	14,508,511	16,406,762	14,574,073

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35.1 Movements in Expected Credit Loss During the year

Stage 3				
Balance as at 01 January	347,246	-	347,246	-
Charge / (Write back) to Income statement (Note 13)	(347,246)	347,246	(347,246)	347,246
Balance as at 31 December	-	347,246	-	347,246

36 Due to Banks

	Bank/Group		
As at December	2023	2022	
	LKR '000	LKR '000	
Refinance Borrowings	6,067,882	6,341,465	
Borrowings from Local Banks	867,192	479	
Borrowings from Foreign Banks	209,425	325,252	
Borrowings from Development Finance Institutions	4,952,257	5,490,834	
Total Due to Banks	12,096,756	12,158,030	

37 Financial Liabilities at Amortised Cost - Due to Depositors

		Bank/Group			
	As at December	2023	2022		
		LKR '000	LKR '000		
	Total Due to Depositors	590,698,330	547,315,755		
37.1	Analysis of Due to Depositors				
37.1.1	By Product				
	Local Currency				
	Demand Deposits	35,126,646	29,498,758		
	Savings Deposits	113,274,031	100,498,708		
	Time Deposits	328,328,460	309,006,995		
	Certificates of Deposit	966,920	1,034,256		
	Total Due to Depositors - Local Currency	477,696,057	440,038,717		
	Foreign Currency				
	Demand Deposits	5,119,577	6,197,250		
	Savings Deposits	23,126,823	26,911,406		
	Time Deposits	84,755,873	74,168,382		
	Total Due to Depositors - Foreign Currency	113,002,273	107,277,038		
	Total Due to Depositors by Product	590,698,330	547,315,755		

SUSTAINABLE RESULTS

NOTES TO THE FINANCIAL STATEMENTS

		Bank/G	roup
		2023	2022
		LKR' 000	LKR' 000
7.1.2	By Currency		
	Sri Lankan Rupee	477,696,057	440,038,717
	United States Dollar	96,726,261	90,534,266
	Great Britain Pound	5,264,174	5,033,220
	Euro	3,300,732	2,991,649
	Australian Dollar	5,942,274	7,186,983
	Japanese Yen	655,855	743,998
	Canadian Dollar	322,791	352,433
	Singapore Dollar	617,145	263,449
	Other currencies	173,041	171,040
	Total Due to Depositors by Currency	590,698,330	547,315,755
87.1.3	By Customer Category		
	Banks	6,559,022	2,844,131
	Finance Companies	1,256,706	1,184,852
	Other Customers	582,882,602	543,286,772
	Total Due to Depositors by Customer Category	590,698,330	547,315,755
87.1.4	By Maturity		
	Due within One Year	548,751,514	504,681,299
	Due after One Year	41,946,816	42,634,456

38 Financial Liabilities at Amortised Cost - Due to Debt Securities Holders

	Bank/G	Bank/Group		
	2023	2022		
	LKR' 000	LKR' 000		
Securities Sold under Repurchase Agreements (Repo)	6,862,998	11,944,370		
	6,862,998	11,944,370		

39 Financial Liabilities at Amortised Cost - Due to Other Borrowers

	Bank/	Bank/Group	
	2023	2022	
	LKR' 000	LKR' 000	
Refinance Borrowings - Other Institutions (Coconut Cultivation Board)	16,151	7,483	
	16,151	7,483	

40 Group Balances Payable

	Bank	Bank/Group		
	2023	2022		
	LKR' 000	LKR' 000		
Seylan Developments PLC	115,823	202,382		
	115,823	202,382		

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41. Debt Securities Issued

41.1 Fixed Rate Debentures

							Bank / Group			
Issue	Interest	Colombo	Subordinated/	Interest	Allotment	Maturity	Face Value	Amortis	ed Cost	
	Rate	Stock Exchange Listing	Unsubordinated	Payable Frequency	Date	Date		2023	2022	
							LKR '000	LKR '000	LKR '000	
2016-2023	13.75% p.a	Listed	Subordinated	Semi - Annually	15.07.2016	14.07.2023	3,272,280	-	3,481,840	
2018-2023	12.85% p.a	Listed	Subordinated	Semi - Annually	29.03.2018	28.03.2023	3,910,000	-	3,936,085	
2018-2025	13.20% p.a	Listed	Subordinated	Semi - Annually	29.03.2018	28.03.2025	715,000	739,306	739,306	
2018-2028	13.50% p.a	Listed	Subordinated	Semi - Annually	29.03.2018	28.03.2028	1,609,000	1,664,940	1,664,940	
2019-2024	15.00% p.a	Listed	Subordinated	Annually	18.04.2019	17.04.2024	3,773,400	4,141,409	4,141,410	
2019-2024	14.50% p.a	Listed	Subordinated	Semi - Annually	18.04.2019	17.04.2024	1,226,600	1,263,146	1,263,146	
2021-2026	9.75% p.a	Listed	Subordinated	Annually	12.04.2021	12.04.2026	5,352,020	5,729,447	5,729,447	
2021-2026	9.25% p.a	Listed	Subordinated	Quarterly	12.04.2021	12.04.2026	647,980	661,281	661,281	
2023- 2028	28.00% p.a	Listed	Subordinated	Annually	02.05.2023	02.05.2028	3,851,882	4,572,871	-	
2023- 2028	25.00% p.a	Listed	Subordinated	Quarterly	02.05.2023	02.05.2028	1,148,118	1,195,301	-	
Total Deben	tures							19,967,701	21,617,455	

		Bank / Group						
	Face Value		Amortised Cost	Face Value	Amortised Cost			
		2023 2023 20			2022			
41.2	Debentures due	LKR '000	LKR '000	LKR '000	LKR '000			
	As at 31 December							
	- Payable within one year	5,000,000	5,404,555	7,182,280	7,417,925			
	- Payable after one year	13,324,000	14,563,146	13,324,000	14,199,530			
	Total Debentures	18,324,000	19,967,701	20,506,280	21,617,455			

41.3 Utilization of funds raised through Debentures issued in May 2023 is as follows:

Objective Number	Objective as per Prospectus	Proposed Date of Utilization as per Prospectus	Amount allocated as per Prospectus in LKR	Amount Allocated from Proceeds in LKR (A)	% of Total Proceeds	Amount utilized in LKR (B)	% of Utilized against allocation (B/A)	Details if not fully utilized
1	To strengthen the Tier 2 Capital base of the Bank as per BASEL III requirements by the issue of Subordinated Debentures.	With effect from the Date of Allotment						
2	Grow the Lending Portfolio, especially in segments such as Small and Medium Enterprises (SME) and Export Oriented Industries.	Over a period of Twelve Months from the Date of Allotment or 31 December 2023 whichever is earlier	> 5 Bn	5 Bn	100	5 Bn	100	N/A
3	Reduce Maturity Gaps in the Assets and Liabilities of the Bank.	With effect from the Date of Allotment						

42 Current Tax Liabilities

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January Charge for the Year (Note 16.1.1)	5,128,484 4,063,720	1,623,966 5,643,038	5,179,000 4,110,333	1,611,832 5,704,578
(Over) / Under Provisions	-	-	(6,156)	-
Payments	(6,493,992)	(2,138,520)	(6,520,672)	(2,138,520)
WHT credits	(9,959)	-	(42,662)	-
Adjustments	-	-	-	1,110
Balance as at 31 December	2,688,253	5,128,484	2,719,843	5,179,000

43 Other Liabilities

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Accrued Expenses	2,361,749	1,323,588	2,388,815	1,340,050
Margin Accounts	924,399	1,030,803	924,399	1,030,803
Deposit Funding Accounts	5,245,848	2,948,163	5,245,848	2,948,163
Dividend Payable	18,750	18,758	50,748	48,141
Provision for Defined Benefit Obligations (Net) (Note 43.1.1)	2,513,333	1,316,918	2,509,574	1,308,548
Sundry Creditors	2,049,380	2,316,119	2,049,380	2,316,119
Value Added Tax and Other Statutory Payables	784,187	417,501	788,626	424,407
Cheques Payable	939,612	339,089	939,612	339,089
Leave Encashment Provision (Note 43.2)	357,314	252,450	357,314	252,450
Expected Credit Loss Allowance on Undrawn Credit				
Commitments and Financial Guarantees (Note 43.3)	1,547,358	1,195,082	1,547,358	1,195,082
Other Creditors	2,849,225	2,814,856	2,854,298	2,782,391
Total Other Liabilities	19,591,155	13,973,327	19,655,972	13,985,243

43.1 Defined Benefit Obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank operates an approved Gratuity Fund to facilitate the payments for permanent staff of the Bank.

Refer to the note 5.16.1 to the Financial Statements on "Defined Benefit Plan". The shares acquired by the Gratuity Trust Fund for the settlement of enhanced gratuity liabilities have been recorded under plan assets.

Based on the Sri Lanka Accounting Standard (LKAS) 19 – "Employee Benefits" the Subsidiary has adopted the Actuarial Valuation Method. Accordingly provisions have been made based on the above method.

The gratuity liabilities are externally funded through plan assets of the Gratuity Trust Fund.

An actuarial valuation was carried out as at 31 December 2023 by Mr. M. Poopalanathan, AIA, Messers Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries.

		Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
43.1.1	The Amount Recognized in the Statement of Financial Position				
	Present Value of Defined Benefit Obligations (Note 43.1.3)	5,965,787	4,169,265	5,980,262	4,178,505
	Fair Value of Plan Assets (Note 43.1.4)	(3,452,454)	(2,852,347)	(3,470,688)	(2,869,957)
	Provision for Defined Benefit Obligations	2,513,333	1,316,918	2,509,574	1,308,548
43.1.2	Plan Assets				
	Balance with Banks	142,515	39,572	142,588	39,766
	Investment in Treasury Bills, Bonds and Repo	2,279,105	1,773,721	2,293,105	1,773,721
	Investments in Fixed Deposits	170,942	453,666	175,103	471,082
	Expected Proceeds from Sale of Shares to be Transfered				
	(Note 43.1.7)	615	3,067	615	3,067
	Investment in Shares	859,277	582,321	859,277	582,321
		3,452,454	2,852,347	3,470,688	2,869,957

Plan Assets are held by an approved external Gratuity Trust Fund.

		Bank		Group	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
43.1.3	Movement in the Present Value of Defined Benefit Obligations (PV DBO)				
	Liability for Defined Benefit Obligations as at 01 January	4,169,265	3,927,171	4,178,505	3,936,542
	Current Service Cost	190,485	202,577	190,998	203,157
	Interest Cost	771,314	431,989	773,070	433,020
	Actuarial (Gains)/Loss on PV DBO (Note 43.1.5)	1,668,445	(36,965)	1,673,524	(38,511)
	Benefits Paid by the Plan	(833,722)	(355,507)	(835,835)	(355,703)
	Liability for Defined Benefit Obligations as at 31 December	5,965,787	4,169,265	5,980,262	4,178,505
43.1.4	Movement in Plan Assets				
	Fair Value of Plan Assets as at 01 January	2,852,347	2,909,181	2,869,957	2,925,192
	Expected Return on Plan Assets	527,117	319,837	530,463	321,598
	Expected Proceeds from Sale of Trust Company Shares (Note 43.1.7)	615	3,067	615	3,067
	Reversal of Expected Proceeds from Sale of Shares				
	to be Transferred	(3,067)	(1,568)	(3,067)	(1,568)
	Contribution Paid into Plan *	246,423	236,538	246,423	236,538
	Benefits Paid by the Plan	(833,722)	(355,507)	(835,835)	(355,703)
	Actuarial Gains/(Losses) on Plan Assets (43.1.5)	662,741	(259,201)	662,132	(259,167)
	Fair Value of Plan Assets as at 31 December	3,452,454	2,852,347	3,470,688	2,869,957
	* Expected contribution for 2024-LKR 283.39 Mn				
43.1.5	Actuarial (Gains) or Losses				
	Actuarial (Gains)/Losses for Year - Obligation	1,668,445	(36,965)	1,673,524	(38,511)
	Actuarial (Gains)/Losses for Year - Plan Assets	(662,741)	259,201	(662,132)	259,167
		1,005,704	222,236	1,011,392	220,656
43.1.6	Amount Recognised in the Income Statement				
	Current Service Cost	190,485	202,577	190,998	203,157
	Interest Cost	771,314	431,989	773,070	433,020
	Expected Return on Plan Assets	(527,117)	(319,837)	(530,463)	(321,598)
	Amount recognized in the Income Statement as Personnel Expenses (Note 15)	434,682	314,729	433,605	314,579
	Amount Recognized in the Income Statement for Additional	(070,000)	100.000	(070.000)	100.000
	Gratuity (Note 15/Note 43.1.7)	(279,283)	162,386	(279,283)	162,386
		155,399	477,115	154,322	476,965
43.1.7	Amount Recognised in the Income Statement for Additional Gratuity Expense				
	Payments made to Ex. Staff Members	17,242	65,393	17,242	65,393
	Provision for unclaimed enhanced gratuity by Ex. Staff Members	(22,022)	77,623	(22,022)	77,623
	Expected Proceeds from Sale of Shares to be transferred	(615)	(3,067)	(615)	(3,067)
	(Increase)/Decrease in Value of Expected Proceeds Booked in				
	Previous Years	(273,888)	22,437	(273,888)	22,437
		(279,283)	162,386	(279,283)	162,386
43.1.8	Amount Recognised in the Other Comprehensive Income				
	Actuarial Gains/(Losses) Recognized in the year	(1,005,704)	(222,236)	(1,011,392)	(220,656)
		(1,005,704)	(222,236)	(1,011,392)	(220,656)

		Bank	/Group
		2023	2022
43.1.9	Actuarial Assumptions		
	Demographic Assumptions		
	Mortality in service	A 1967/70 Mortality Table issued by the Institute of Actuaries London	A 1967/70 Mortality Table issued by the Institute of Actuaries London
	Retirement Age *	60 Years	60 Years
	Financial Assumptions **		
	Discount Rate	12.90%*** (Subsidiary 12%)	18.50% (Subsidiary 19%)
	Salary Increment	15.00% (Subsidiary 10%)	9.50% (Subsidiary 10.50%)
		Next increment due on 01 January 2024	Next increment due on 01 January 2023

* As per the Minimum Retirement Age of Workers Act No. 28 of 2021.

** Will be re-visited based on Market condition.

*** Based on the Treasury Bonds / Bills average market yield.

43.1.10 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Income Statement and employment benefit obligation for the year.

Bank

		2023	
Increase / (Decrease) in Discount Rate %	Increase / (Decrease) in Salary Increment Rate %	Sensitivity Effect on Other Comprehensive Income Statement Increase/ (Decrease) in Charge for the year (LKR' 000)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (LKR' 000)
1	**	(351,837)	(351,837)
(1)	**	389,630	389,630
*	1	425,735	425,735
*	(1)	(389,270)	(389,270)

* Discount Rate is Fixed at 12.90%

** Salary Increment is 15.00%

Subsidiary

		2023	
Increase / (Decrease) in Discount Rate %	Increase / (Decrease) in Salary Increment Rate %	Sensitivity Effect on Other Comprehensive Income Statement Increase/ (Decrease) in Charge for the year (LKR' 000)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (LKR' 000)
1	**	(730)	(730)
(1)	**	796	796
*	1	875	875
*	(1)	(814)	(814)

* Discount Rate is Fixed at 12%

** Salary Increment is 10%

43.1.11 Maturity Profile of the Defined Benefit Obligation

Bank	
Future Working Life Time	Defined Benefit Obligation
	LKR '000
Within next 12 months	614,750
Between 1-2 years	1,032,646
Between 2-5 years	961,222
Between 5-10 years	2,345,415
Beyond 10 Years	1,011,753
Total	5,965,786
Weighted Average Duration of Defined Benefit Obligation	6.9 years

Subsidiary

Future Working Life Time	Defined Benefit Obligation
	LKR '000
Within next 12 months	1,459
Between 1-2 years	2,740
Between 2-5 years	2,947
Between 5-10 years	6,161
Beyond 10 Years	1,169
Total	14,476
Weighted Average Duration of Defined Benefit Obligation	5.8 years

		Ba	Bank		up
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
43.2	Leave Encashment Provision				
	Balance as at 01 January	252,450	248,862	252,450	248,862
	Leave Encashment during the year	(9,173)	-	(9,173)	-
	Amount Charged / (Reversed) to Income Statement				
	during the year	114,037	3,588	114,037	3,588
	Balance as at 31 December	357,314	252,450	357,314	252,450

Actuarial Assumptions (Refer Note 43.1.9) 43.2.1

43.2.2 Sensitivity of Assumptions Employed in Actuarial Valuation

Bank 2023					
Increase / (Decrease) in Discount Rate %	Increase / (Decrease) in Salary Increment Rate %	Sensitivity Effect on Income Statement Increase/ (Decrease) in Charge for the year (LKR' 000)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (LKR' 000)		
1	**	(21,952)	(21,952)		
(1)	**	24,544	24,544		
*	1	26,750	26,750		
*	(1)	(24,224)	(24,224)		

* Discount Rate is Fixed at 12.90%

** Salary Increment is 15.00%

43.3 Expected Credit Loss Allowance on Undrawn Credit Commitments and Financial Guarantees

		Bank/Gro	Bank/Group		
		2023	2022		
		LKR '000	LKR '000		
	Balance as at 01 January	1,195,082	1,334,591		
	Charge/(Write back) to Income Statement (Note 13)	352,276	(139,509)		
	Balance as at 31 December	1,547,358	1,195,082		
43.3.1	Stagewise Movements in Expected Credit Loss Allowance during the year				
	Stage 1				
	Balance as at 01 January	1,177,288	1,313,972		
	Charge/(Write back) to Income Statement	(322,170)	(136,684)		
	Balance as at 31 December	855,118	1,177,288		
	Stage 2				
	Balance as at 01 January	10,495	5,440		
	Charge/(Write back) to Income Statement	55,606	5,055		
	Balance as at 31 December	66,101	10,495		
	Stage 3				
	Balance as at 01 January	7,299	15,179		
	Charge/(Write back) to Income Statement	618,840	(7,880)		
	Balance as at 31 December	626,139	7,299		

44 Stated Capital

		Bank/Group						
		2023 LKR '000			2022			
					LKR '000			
	Ordinary Shares - Voting	Ordinary Shares - Non-Voting	Total	Ordinary Shares - Voting	Ordinary Shares - Non-Voting	Total		
Balance as at 01 January	12,314,065	7,612,388	19,926,453	11,521,263	6,802,619	18,323,882		
Issued for Scrip Dividend	480,599	501,621	982,220	792,802	809,769	1,602,571		
Balance as at 31 December	12,794,664	8,114,009	20,908,673	12,314,065	7,612,388	19,926,453		

44.1 Movements in Number of Shares

	2023			2022			
	Ordinary Shares - Voting	Ordinary Shares - Non-Voting	Total	Ordinary Shares - Voting	Ordinary Shares - Non-Voting	Total	
Balance as at 01 January	282,704,760	295,071,313	577,776,073	264,267,493	269,923,190	534,190,683	
Issued for Scrip Dividend	14,011,606	23,661,379	37,672,985	18,437,267	25,148,123	43,585,390	
Balance as at 31 December	296,716,366	318,732,692	615,449,058	282,704,760	295,071,313	577,776,073	

45 Statutory Reserve Fund

	Bank/Group		
	2023	2022	
	LKR '000	LKR '000	
Balance as at 01 January	2,568,162	2,332,549	
Transferred during the Year *	312,811	235,613	
Balance as at 31 December	2,880,973	2,568,162	

* 5% of Net Profit after Tax.

Statutory Reserve Fund represents the statutory requirement in terms of the Section 20 (1) and (2) of the Banking Act No. 30 of 1988.

46 Other Reserves

46.1

	Ba	Bank		Group	
	2023	2022	2023	2022	
	LKR '000	LKR '000	LKR '000	LKR '000	
Capital Reserve (Note 46.1)	418,021	418,021	673,234	673,234	
Revaluation Reserve (Note 46.2)	1,374,219	1,374,219	2,329,017	2,269,369	
General Reserve (Note 46.3)	33,787	33,787	33,787	33,787	
Fair Value through Other Comprehensive Income Reserve (Note 46.4)	(203,999)	(1,183,105)	(233,618)	(1,215,647)	
Cash Flow Hedge Reserve (Note 46.5)	-	-	-	-	
Investment Fund Reserve (Note 46.6)	248,767	248,767	248,767	248,767	
Total Other Reserves	1,870,795	891,689	3,051,187	2,009,510	
Movement in Capital Reserve					
Balance as at 1st January	418,021	418,021	673,234	673,234	
Balance as at 31st December	418,021	418,021	673,234	673,234	

Bank - Capital Reserve consists of the Debenture Redemption Reserve Fund of LKR 400 Mn transferred to Capital Reserve in 2004. Debenture Redemption Reserve Fund was created for the redemption of five year Debentures amounting to LKR 400 Mn issued in November 1999. Balance consisting of LKR 18 Mn was transferred to Capital Reserve in 1991.

Subsidiary - Capital Redemption Reserve Fund, which was created at the time of redeeming the Preference Shares of Seylan Developments PLC (Transferred to Capital Reserve in 2011).

46.2 Movement in Revaluation Reserve

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1st January	1,374,219	1,468,822	2,269,369	2,374,135
Surplus/(Deficit) on Revaluation during the Year	-	-	120,850	(20,148)
Deferred Tax Impact on Revaluation (Surplus)/Deficit during the Year	-	-	(36,255)	6,044
Deferred Tax Impact on Tax Rate Change	-	(94,603)	-	(94,913)
Transferred to Non-Controlling Interest	-	-	(24,947)	4,251
Balance as at 31st December	1,374,219	1,374,219	2,329,017	2,269,369

In addition to the Bank's Revaluation Reserve, Group includes the surplus on revaluation of Property, Plant and Equipment of the Subsidiary.

		Bank		Group	
		2023 2022		2023 2	
		LKR '000	LKR '000	LKR '000	LKR '000
46.3	Movement in General Reserve				
	Balance as at 1st January	33,787	33,787	33,787	33,787
	Balance as at 31st December	33,787	33,787	33,787	33,787

General Reserve consists of LKR 25 Mn transferred in 1995 to General Reserve, LKR 2.7 Mn transferred from Bad Debts Reserve and LKR 6 Mn transferred from Contingency Reserve in 2002 to General Reserve.

46.5

46.6

46.4 Movement in Fair Value through Other Comprehensive Income Reserve

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1st January	(1,183,105)	(245,179)	(1,215,647)	(271,212)
Net Gains (loss) on investments in debt instruments measured at fair value through other comprehensive income	987,554	(1,633,614)	993,479	(1,644,580)
Net Change in fair value on investments in equity instruments measured at fair value through other comprehensive income	302,235	(1,220,234)	302,235	(1,220,234)
Deferred Tax Impact on Net Fair Value (Gain)/Loss (Note 34)	(310,683)	362,043	(312,463)	363,778
Net Gains on Disposal Equity Investments transferred to Retained Earnings (Note 27.8)	-	(9,396)	-	(9,396)
Reclassification of Debt instruments measured at Fair Value through Other Comprehensive Income (Note 26.6)	-	2,056,941	-	2,056,941
Deferred Tax impact on Reclassification of Debt instruments measured at Fair Value through Other Comprehensive Income (Note 34)	-	(493,666)	-	(493,666)
Transferred to Non-Controlling Interest	-	-	(1,222)	2,722
Balance as at 31 December	(203,999)	(1,183,105)	(233,618)	(1,215,647)
Movement in Cash Flow Hedge Reserve				
Balance as at 1st January	-	(84,246)	-	(84,246)
Transferred to Income Statement	-	84,246	-	84,246
Balance as at 31 December	-	-	-	-
Movement in Investment Fund Reserve				
Balance as at 1st January	248,767	608,756	248,767	608,756
Transferred to Retained Earnings	-	(359,989)	-	(359,989)
Balance as at 31 December	248,767	248,767	248,767	248,767

As per the Value Added Tax (Amendment) Act No. 09 of 2011 and Inland Revenue (Amendment) Act No. 22 of 2011, Bank transferred 8% on Value Addition attributable to Financial Services and 5% of Taxable Profits, from retained profits to Investment Fund Reserve with effect from 1 January 2011. The requirement of this transfer ceased with effect from 01 October 2014.

Transfers to the Investment Fund Reserve	LKR '000
8% on the Value addition attributable to Financial Services	1,257,105
5% of Taxable Profits	409,598
	1,666,703

Utilization of Investment Fund Reserve				
Qualifying Investments				
Long Term Government Securities with maturity period over 7		Maturity Value	Date of	Interest Rate
Years		(LKR)	Maturity	%
Treasury Bond		230,000,000	01.07.2028	9.00
Total Investment in Government Securities		230,000,000		
Qualifying Loans				
Purpose	No of loans granted	Amount outstanding (LKR)	Tenure of the Ioan	Interest rate
Construction of hotels and for related purpose	1	51,874,000	10 years	5 year Treasury Bond rate + 2%
Total Qualifying Loans		51,874,000		
Total Investment in Government Securities and Qualifying Loans		281,874,000		

47 Contingent Liabilities and Commitments

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. Potential expected credit loss allowance on undrawn credit commitments and financial guarantees have been recorded and which are disclosed in Note 43.3.

		Ba	nk	Group	
	As at 31 December	2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
47.1	Contingencies				
	Acceptances	7,917,084	11,902,376	7,917,084	11,902,376
	Standby Letters of Credit	146,496	378,230	146,496	378,230
	Guarantees	55,805,472	69,644,645	55,805,472	69,644,645
	Documentary Credit	7,099,253	4,354,920	7,099,253	4,354,920
	Bills for Collection	5,093,891	6,001,743	5,093,891	6,001,743
	Forward Exchange Contracts (Net)	53,691	(563,439)	53,691	(563,439)
	Total Contingent Liabilities	76,115,887	91,718,475	76,115,887	91,718,475
47.2	Commitments				
	Undrawn Credit commitments	89,057,981	75,687,415	89,057,981	75,687,415
	Capital Commitments (Note 50.1)	666,936	235,260	685,552	237,051
	Total Commitments	89,724,917	75,922,675	89,743,533	75,924,466
	Total Contingent Liabilities and Commitments	165,840,804	167,641,150	165,859,420	167,642,941

48. Cases against the Bank

In the normal course of business, the Bank is involved in various types of litigation with borrowers or others who have asserted or initiated claims / counter claims against the Bank.

Civil Cases

1. CHC 157/2001(1) - (SC (CHC) APP 01/10)

Plaintiff filed action against Seylan Bank for dishonoring a Guarantee issued by former BCCI Bank after Seylan Bank took over the local operations of BCCI. Judgement delivered in favour of the plaintiff. Seylan Bank has appealed. (Guarantee value USD 72,730.23 and USD 56,732.25) Argument on 29 February 2024.

2. CHC 14/98(1) - (SC (APP) CHC 26 /2005 and SC (APP) CHC 26A/2005)

Action filed claiming damages of LKR 111 Mn for dishonoring cheques and not establishing a Letter of Credit. Judgement delivered against the Bank awarding LKR 2.5 Mn as damages. Both the plaintiff and the Bank filed appeals against the said Judgement. Arguments on 19 March 2024.

3. CHC 559/10/MR (SC CHC (APP) 45/2018)

Plaintiff has claimed damages of LKR 5.0 Mn stating that the Bank has wrongfully refused to issue US Dollars for travel purposes. Case dismissed on 10 April 2018 and plaintiff has appealed against the Judgement. Notice of appeal filed on 25 April 2018 and the matter is listed for hearing on 07 June 2024.

4. DC AMPARA 356/DAMAGES

The plaintiff who is an ex-staff member of the Bank filed action claiming damages of LKR 50.0 Mn for wrongful termination from work, wrongful custody and remand, defamation and pain of mind. Ex-parte Judgement delivered in favour of the plaintiff on 20 June 2016. Matter is fixed for inquiry on 27 March 2024.

5. CHC 157/2007/MR - (SC CHC (APP) 34/12)

Action filed against the Bank for collecting a forged cheque to an account of a client and for unjust enrichment claiming LKR 9.5 Mn Judgement delivered in favour of the Plaintiff. Bank has appealed to the Supreme Court against the judgement. Arguments on 29 February 2024.

6. DC MOUNT LAVINIA 4246/03/M (WP/HCCA/MT/03/18/F)

Action filed claiming damages of LKR 2.0 Mn alleging wrongful seizure of goods in execution of a writ by the Bank. Judgement delivered against the Bank on 06 November 2017 and the Bank has appealed against the said Judgement by filing Civil Appellate Case No. WP/ HCCA /MT 03/18 (F) and same is fixed for Arguments on 08 May 2024.

7. SC/HC/LA/18/2022

The plaintiff company has filed the case bearing No. DC Colombo DMR 1674/15 (CHC 90/2020 MR) claiming LKR 50.0 Mn as damages stating that the Bank has given wrong information to the Magistrate Court under case No. B 2326/13 where one Director of the company was remanded. This action was dismissed on 11 February 2022. Plaintiff appealed on the said dismissal. Appeal case will be supported on 14 October 2024.

8. CHC 713/19 MR (DC COLOMBO DMR 1675/15)

The plaintiff has filed the above case claiming LKR 50.0 Mn as damages stating that the Bank has given wrong information to the Magistrate Court under case No. B 2326/13 where he has been remanded. Case will be called on 05 March 2024.

9. DC COLOMBO 0093/15/DMR (WP/HCCA/82/2019/F)

This case has been filed claiming LKR 505,510.10 alleging a wrongful reduction of savings account balance. Judgment delivered in favour of the plaintiff. Bank appealed against the judgment. To be mentioned on 07 May 2024.

10. DC AMPARA 3547/M and DC AMPARA 3548/M

These actions have been instituted by the plaintiffs claiming LKR 200.0 Mn from each case as damages and to obtain a direction from court to return articles pawned by the plaintiffs. Both cases are fixed for further Trial on 11 March 2024.

11. CHC CIVIL 518 /2012/MR

This action has been instituted by the plaintiff stating that, the Bank has recovered more than the amount due from the plaintiff, therefore claiming a sum of LKR 49.02 Mn. Bank filed a cross claim for LKR 6.24 Mn. On 17 December 2021, case was dismissed as well as the cross claim. Both parties appealed against the judgment. Appeal not yet listed.

12. CHC CIVIL 253 /2017/MR

The case bearing HC Civil 253/17/MR has been instituted by the plaintiff and obtained a stay order preventing the Bank from paying USD 1.37 Mn on a Letter of Credit. While the summons had not been served on the 3rd defendant who is the banker of the beneficiary of the Letter of Credit and final order of same was delivered to release the Fixed Deposits held under lien with the Bank. Bank appealed against the said order under case No. SC Appeal 157/2019. The Judgment was delivered on 23 February 2022. Now the main case is fixed for summons returnable for 3rd defendant on 12 June 2024.

13. DC KALMUNAI 6029/2017/M

This action has been instituted by the plaintiff claiming that a sum of LKR 2.0 Mn has been withdrawn from her account while her pass book and the passport was in custody of a Foreign Employment Agency. This case is fixed for Examiner of Question Document report on 24 April 2024.

14. CHC 144/2018 MR

Plaintiff has filed this action against the Bank inter alia, the Bank has acted in contrary to their Swift instructions on a remittance and therefore suffered loss and damages in a sum of USD 3.88 Mn. Further Trial on 03 May 2024.

15. DC COLOMBO 4237/18/DMR

A case was filed under case No. HC (Civil) 311/14/MR by the Bank to recover outstanding due to the Bank. Subsequently the said case was withdrawn by the Bank. Thereafter customer filed a case under DC Colombo 4237/18/DMR against the Bank claiming LKR 200.0 Mn as damages for instituting the said case No. HC(Civil) 311/14/MR. This Case will be called on 04 March 2024.

16. DC MATARA SPL/1151

Plaintiff is a customer and he claims that on a verbal agreement reached with the Bank, he deposited LKR 7.91 Mn into his own account with the intention of purchasing a property acquired by the Bank under a Certificate of Sale. However, as the previous owner had settled the dues, Bank had released the property to previous owner / mortgagor of the property by cancelling the said Certificate of Sale.

Plaintiff filed the above action to get a court declaration to the effect that there had been an agreement to sell between him and the Bank and claiming LKR 5.0 Mn as damages, for not selling the property. The Case is fixed for Trial on 20 March 2024.

17. DC COLOMBO DSP 220/22

Bank had obtained and additional Mortgage Bond over a property that has been mortgaged to Bank of Ceylon. This property had been acquired by Bank of Ceylon under a Certificate of Sale. Bank of Ceylon filed this action against the Seylan Bank to get the Mortgage Bond executed in favour of Seylan Bank cancelled. The Case is fixed for Trail on 30 May 2024.

18. DC COLOMBO DSP 486/2022

Bank had issued two Letters of Guarantee in favour of the plaintiff at the request of the customer. Customer subsequently tendered the Original Guarantee issued by the Bank with a written request of the Beneficiary to cancel the Guarantee. Beneficiary (Plaintiff) also produced a claim over the Guarantees producing a document similar to original Guarantee issued by the Bank. This case has been instituted seeking a court direction on the Bank to honour the claims made by the plaintiff. Case is fixed for Answer on 09 May 2024.

19. CHC/334/2022

A funds transfer has been done from USA through Visa network, where the transaction was confirmed by Visa as fraudulent. Plaintiff instituted this case claiming that the Bank has unlawfully blocked and seized USD 500,000.00 credit which is equivalent to LKR 93.5 Mn and plead the court to make a declaration that the plaintiff is the lawful owner of the said amount and make available the same to him by a Judgment of the CHC. Case is fixed for Trial on 25 March 2024.

20. CHC 347/2022 MR

Customer is engaged in export of rubber and related products and also engaged in the imports and distribution of burnt charcoal (clinker) which are used for cement industry. Due to the scarcity of the foreign exchange in the country, Bank was unable to sell the foreign exchange to the customer on the required dates to settle the customer's import liabilities. Customer has filed this case against the Bank claiming damages for exchange losses. Case is fixed for Trial on 21 May 2024.

21. DC NUGEGODA 5303/2023 M

Plaintiff has obtained a Leasing facility from Bank. He has made issues over charges made by the Bank and defamed the Bank in various manners. Bank filed a case in DC Colombo under the case No. DMR 2647/2022 to prevent the customer from defaming the Bank. In the meantime, customer has filed this action in DC Nugegoda seeking a stay order preventing Bank from recovering his lease rentals. Court has issued only notices of Interim Injunction. Case is fixed for Order on 30 May 2024.

22. DC AKKARAIPATHTHU MB/65/2019

Bank filed a Mortgaged Bond action in DC Kalmunai (Case No. MB 65/2019) and got the decree infavour of Seylan Bank. Subject property was sold at the public auction. The purchaser has filed a petition under the same case, in DC Akkarapaththu to obtain a refund of the auction charges (LKR 106,850.00) as cost of advertising and that had been recovered from him. Consideration of Claim on 26 February 2024.

23. DC NUGEGODA/M/5308/23

Plaintiffs had prematurely uplifted 25 fixed deposits that they placed with the Bank worth of LKR 255 Mn. Bank has paid interest at a reduced rate due to premature upliftment and plaintiffs initiated this action to recover further interest on the fixed deposits uplifted. Answer on 01 April 2024.

24. DC PANADURA/37/2023/SC, DC PANADURA/38/2023/SC and DC PANADURA/39/2023/SC

According to the plaints 1st and 2nd defendant along with plaintiffs (at that time being 3 different minors) had placed fixed deposits and later 1st and 2nd defendants had withdrawn the fixed deposits without the knowledge and consent of the plaintiffs. Each Minor (now being majors) had filed three separate cases claiming the withdrawn amounts. Bank has been made a party alleging that bank had acted collusively with 1st and 2nd defendants. Summons returnable on 01 March 2024.

25. DC COLOMBO DMR 342/23

Plaintiff has deposited a LKR 30.0 Mn cheque to her savings account, which had got returned due to lack of funds. Due to a system issue the reversal of cheque return had been debited to a different account. Due to this reason the cheque return had been posted to the Plaintiff's account subsequently and not on the same day. Client has withdrawn LKR 10.0 Mn and is claiming the balance of LKR 20.0 Mn from the Bank. Answer on 25 June 2024.

26. DC COLOMBO DMR 1730/2023

Plaintiff is a Foreign Exchange Broker of another company where both parties are customers of the Bank. There was a dispute between the parties with regard to the broker's commission. Plaintiff filed a case against the Bank and the said company under the case No. CHC 225/2016 MR and the Bank was made a party to refrain from release of funds held in favour of the said company. On 25 March 2022 Courts delivered Exparte Judgment in favour of plaintiff. The Plaintiff filed this case against the Bank demanding the damages for the delay occurred when transferring the funds during the Writ execution. Answer to be filed on 15 March 2024.

27. DC KULIYAPITIYA 7326 M

Plaintiff has established Letters of Credit and due to a shortage of Foreign exchange within the country during the LC settlement period, Bank had been able to sell foreign exchange to the plaintiff as and when it received/ collected foreign exchange to settle the import liabilities. Due to this, client filed this action to prevent the Bank recovering any further funds from the Plaintiff. The case will be called for Objections on 25 March 2024.

28. CA (WRIT) 124/21

Petitioner has filed this action seeking a writ of mandamus and a prohibition on releasing the compensation on the property that had been acquired by the Land Development Authority. (Where a portion has been mortgaged to Seylan Bank and the facilities related to same being overdue). The matter is fixed for Arguments on 02 August 2024.

29. CA APPLICATION NO. COC/29/2023

The plaintiff in the above action being an occupant of one of the apartments which was to be auctioned in four auctions scheduled, filed a case against the Bank in Commercial High Court bearing No. CHC 227/23/MR and obtained an enjoining order to stay the auctions. The enjoining order was conveyed by Courts after the conclusions of two auctions. This application filed on contempt of Court since the Bank took steps to complete the formalities of concluding auctions upon the vacation of the stay order. The case is to be supported on 15 March 2024.

30. DC COLOMBO 1998/2023/DMR

Plaintiff being an ex-staff member has instituted this action against the Bank claiming damages from the Bank for having being indicted in the High Court on a fraud that had taken place in 1993. Case is fixed for notice returnable on 02 August 2024.

Cross Claims made against the Bank on Cases filed by the Bank

31. DC RATNAPURA 12734/M

Bank has filed this case in DC Ratnapura to recover the dues, there is a cross claim of LKR 2.5 Mn made by the defendant. The Case is fixed for Further Trial on 12 June 2024.

32. CHC 331/11/MR

Bank has initiated legal action to recover the dues of a lease facility. Customer has filed the answer with a cross claim of LKR 100.0 Mn. To be mentioned 0n 28 March 2024.

Cases filed against the Bank (others)

Apart from the above cases, there are appeals filed against the Bank, Land related cases and Partition cases filed over the properties mortgaged to the Bank, Winding up actions filed against the customers who have been enjoying credit facilities with the Bank, Claim cases filed over the properties seized under court action, Testamentary Cases filed over the estate of deceased clients who have been enjoying credit facilities, writ applications filed in Court of Appeal, appeals filed on eviction orders, appeal filed against the defamation case filed by the Bank and cases filed against the Bank on other matters.

Labour Related Cases

33. Cases Against Share Owning Trust Companies and the Bank, Cases filed by Ex-employees and Bank against orders of Commissioner General of Labour and other Court Orders.

Filed DTR 003/2016 to DTR 006/2016 against the share owning trust companies, Seybest (Private) Limited, Seyfest (Private) Limited and Seyshop (Private) Limited and the Bank in District Court Colombo. Relief sought is for the implementation of the Trust Deeds. Court made order that all points of issues of the cases will be decided after concluding recording of all evidence. DTR 003/2016 and DTR 004/2016 cases due for Defendant / Bank / Trust company evidence on 19 March 2024. Cross examination of plaintiffs / hearing of the cases DTR 005/2016 and DTR 006/2016 are due on 06 March 2024.

Filed DTR 154/2016 to DTR 158/2016 against the share owning trust companies Esots (Private) Limited, Sesot (Private) Limited, Sotse (Private) Limited and Seybest (Private) Limited and the Bank in District Court Colombo. Relief sought is for the implementation of the Trust Deeds. Plaintiffs served interrogatories and the Bank was directed by Court to reply those. The Bank appealed to Civil Appeal High Court of Colombo (CA/HC/CMB) against that directive. These Appeals were dismissed and both parties Appealed to Supreme Court. The Supreme Court appeals were settled where it was agreed Bank Head of Human Resources will reply the interrogatories instead of Chairman and replies to interrogatories filed. The cases DTR 156/2016 to be heard on 28 March 2024 and the cases DTR 155/2016, DTR 157/2016 and DTR 158/2016 to be heard on 10 May 2024 for consideration of interrogatories.

DTR 007/2017 and DTR 008/2017 filed by 59 ex-employees against the Bank and Seyfest (Private) Limited and Sesot (Private) Limited. The reliefs sought is to obtain judgement declaring the trusts as valid and its implementation. Plaint was amended reflecting withdrawal and death of parties and substitution in place of dead parties. Amended Plaint filed and amended answer of the Bank and Trust companies filed. Pre-trial or settlement due on 21 March 2024.

Filed DTR 002/2018 to DTR 004/2018 against the share owning trust companies Seyshop (Private) Limited, Sotse (Private) Limited and Seybest (Private) Limited and the Bank in District Court Colombo. The relief sought is to obtain judgement declaring the trust as valid and its implementation. Plaint was amended reflecting withdrawal and death of parties and substitution in place of dead parties. Amended Plaint filed and amended answer of the Bank and Trust companies filed. Pre-trial or settlement due on 21 March 2024.

Writ application CA 88 / 2019 in Court of Appeal against the Commissioner General of Labour and an ex-employee. The Bank filed this case seeking:

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- A Writ of Certiorari invalidating the directive of Commissioner General of Labour to pay additional Gratuity in excess of the statutory Gratuity.
- A Writ of Prohibition prohibiting the Commissioner General of Labour and its officers from initiating action for recovery of such additional Gratuity.

The ex-employee filed objections to this application. Counter affidavit of the Bank in reply to the objections filed and all pleadings completed. Arguments / submissions concluded on 18 January 2024 and Judgement due on 29 February 2024.

Apart from the above, there are matters filed by ex-employees against the Bank relating to determination of retirement age, termination of employment, seeking reinstatement and appeals thereof including appeals against orders for payment of additional gratuity and surcharge. An ex-employee has filed an action claiming the amount offered as voluntary retirement scheme where he has resigned from the services while a disciplinary inquiry was proceeding against him. The spouse of a deceased employee has sought to substitute legal heirs and compensation for loss of employment.

Based on the available information and current status of the above cases, the Bank is not in a position to quantify the potential financial impact if any, as at the balance sheet date. However, we are of the opinion that the outcome of any action will not have a material effect on the financial position of the Bank.

49 Tax Assessments Received by the Bank

- Bank has received Income Tax Assessments under the assessment numbers 0201516001, 0201617002-2, 0201718002-2, 0201819002-2, 0201920002-2 commencing from the year of assessment 2015 /2016 to 2019/2020. Bank has partly resolved the assessed values through the appellate procedure and the remaining exposure are being followed up,
- Bank has also received VAT on Financial Services Assessments (VATFS/BFSU/2019/1006, 7501920002-2, 7502021002-2), NBT on Financial Service Assessments (NBTFS/BFSU/2022/819, NBTFS/BFSU/2022/820, NBTFS/BFSU/2022/821, NBTFS/ BFSU/2022/822), Debt Repayment Levy (DRL) Assessments (DRL/ASMT/1920/37/D-3613) and VAT Assessments (7001620001-2, 7001630002-2 and 7001640002-2). These assessments are for the financial years 2016, 2019 and 2020. Some of the assessments have been partly cleared while others are to be sorted through the appellate procedure.

Based on the assessment carried out by the Management in consultation with the Tax consultant, the Bank is of the view that the above Assessments can be resolved through the appellate process and the residual impact, if any, is not expected to have a material impact on the Financial Statements.

50 Capital Commitments

Capital expenditure approved by the Board of Directors for which provision, has not been made in these Financial Statements amounted to approximately;

		Ba	nk	Group	
	For the year ended 31 December	2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
50.1	Approved and Contracted for	666,936	235,260	685,552	237,051
50.2	Approved but not Contracted for	1,850	21,308	3,211	21,308

51. Events after the Reporting Period

51.1 Proposed final dividend

The Board of Directors of the Bank recommended a final dividend of LKR 2.50 per share on both voting and non-voting shares of the Bank, to be paid by way of LKR 1.00 cash dividend per share and LKR 1.50 scrip dividend per share for the financial year 2023.

Further, this dividend is to be approved at the Annual General Meeting to be held on 28 March 2024. This proposed final dividend has not been recognized as a liability as at 31 December 2023. Final dividend proposed for the year 2023 amounts to LKR 1,538,622,645.00.

Compliance with Sections 56 and 57 of Companies Act No 7 of 2007- As required by Section 56 of the Companies Act No 07 of 2007, the Board of Directors of the Bank satisfied the solvency test in accordance with the section 57, prior to recommending the final dividend.

51.2 Share Repurchase – Seylan Developments PLC

On 01 November 2023, the Bank's subsidiary Seylan Developments PLC made an announcement to Repurchase it's own Shares at a ratio of 1 share for every 10 shares held by the Ordinary shareholders of the Company. The total number of ordinary shares expected to repurchase from the share repurchase is 14,796,486 at a price of LKR 21.64 per ordinary share. The total value expected from the share repurchase transaction is amounting to LKR 320.20 Mn.

The share repurchase offer is opened to shareholders on 14 February 2024 and proposed to be closed on 28 February 2024.

52. RELATED PARTY TRANSACTIONS

The Bank / Group carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosure", other than transactions that are the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rate.

52.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard LKAS 24 - 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/Chief Executive Officer, Key Employees of the Bank holding directorships in Subsidiary company have been classified as Key Management Personnel (KMP) of the Bank. As the Bank is the Ultimate Parent of its Subsidiary mentioned in Note 52.2 and the Board of Directors of the Bank has the authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, the Board of Directors of the Bank is also KMP of the Group.

		Ba	nk	Group	
	For the Year ended 31 December	2023	2022	2023	2022
		LKR Mn	LKR Mn	LKR Mn	LKR Mn
52.1.1	Compensation of KMP				
	Short -Term Employment Benefits	139.95	164.87	144.14	168.26
	Post - Employment Benefits	9.11	12.13	9.11	12.13
	Total	149.06	177.00	153.25	180.39
	Other Non - Cash Benefits to KMP	1.23	1.15	1.23	1.15

52.1.2 Transactions, Arrangements and Agreements Involving KMP and their CFM

Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Bank. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner. CFM are related parties to the Bank / Group.

52.1.2.1 Statement of Financial Position - Bank /Group

As at 31 December	2023	2022	
	LKR Mn	LKR Mn	
ASSETS			
Loans and Advances	21.91	102.89	
Credit Cards	0.45	1.68	
Securities Purchased Under Resale Agreement		-	
Total	22.36	104.57	
LIABILITIES			
Deposits	142.99	254.54	
Other Investments	35.00	98.00	
Total	177.99	352.54	

52.1.2.2 Contingencies and Commitment - Bank /Group

As at 31 December	2023	2022
	LKR Mn	LKR Mn
Undrawn facilities	11.64	35.53
Total	11.64	35.53

Expected credit loss allowance (Stage 01) as at 31 December 2023 related to the outstanding Loans and advances, credit cards and undrawn balances of KMPs' and CFMs' is an insignificant amount.

At the time of evaluating accommodations, the Board Credit Committee considered the adequacy of securities proposed for the accommodations.

52.1.2.3 Accommodation as a percentage of Bank's Regulatory capital

As at 31 December	2023	2022
Direct and Indirect Accommodation (%)*	0.05	0.22
* Includes Securities Purchased Under Resale Agreement		

52.1.2.4 Income Statement - Bank /Group

For the year ended 31 December	2023	2022	
	LKR Mn	LKR Mn	
Income (Interest and Other)	4.79	7.97	
Interest Expenses	63.52	35.71	
Compensation to KMP-Bank	150.29	178.15	
Compensation to KMP-Group	154.48	181.54	

52.1.2.5 Shareholding of KMP and CFM

As at 31 December	2023	2022
Investment in Bank Shares -Voting (No.of Shares)	821	71,480
Investment in Bank Shares -Non Voting (No.of Shares)	33,931	242,749
Dividend Paid (LKR Mn)	0.06	0.87

52.2 Other Related Party Transactions

The Bank / Group had the following financial dealings during the year 2023 with its related parties and unless otherwise stated, transactions were carried out in the ordinary course of business at commercial rates.

The parties given below are considered related parties mainly due to significant influence arising as a result of common directorships and through shareholdings.

52.2.1 Transactions with Other Related Parties/Common Directorships

		Subsi	diary	and Post- E	Share Trust Companies and Post- Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	As at 31 December	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
		LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	
1.1	Statement of Financial											
	Position - Bank / Group											
	ASSETS											
	Loans and Advances	-	24.23	-	-	-	-	18,908.51**	12,842.04	1,931.73	1,298.84	
	Other Receivable-Rent											
	Deposit	40.50	40.20	-	-	-	-	-	-	-	-	
	Equities (Quoted)	-	-	-	-	-	-			-	2,332.00	
	Debentures (Quoted)	-	-	-	-	-	-	- ***	50.00***	-	565.25	
	Interest and Other	-	-	2.21	0.02	-	-	133.93	78.78	1.67	17.26	
	Receivable											
	Total	40.50	64.43	2.21	0.02	-	-	19,042.44	12,970.82	1,933.40	4,213.35	
	LIABILITIES											
	Deposit	79.89	66.49	934.77	3,883.40	507.05	6.64	6,717.56	4,033.77	1,141.81	881.74	
	Securities Sold Under	-	-	869.90	1,345.00	-	-	-	-	-	-	
	Repurchase Agreements											
	Other Instruments including	29.00	129.00	13,349.97	8,519.37	250.00	2,057.28	-	-	-	-	
	Debentures											
	Interest and Other Payable	6.93	6.89	508.99	662.70	-	-	53.85	18.64	26.67	19.32	
	Total	115.82	202.38	15,663.63	14,410.47	757.05	2,063.92	6,771.41	4,052.41	1,168.48	901.06	

52.2.1.2 Contingencies and Commitment - Bank / Group

Non - Funded Facilities	-	-	-	-	-	-	1,122.89	1,944.78	184.00	-
Undrawn Facilities	175.00	150.77	-	-	-	-	4,491.60	4,350.41	2,143.89	2,413.67
Total	175.00	150.77	-	-	-	-	5,614.49	6,295.19	2,327.89	2,413.67

52.2.1.3 Accommodation as a Percentage of Bank's Regulatory Capital

Direct and Indirect									
Accommodation (%)	0.25	0.28	-	-	 -	34.96	30.23	6.07	6.74

52.2.1.4 Income Statement - Bank / Group

Income	126.94	146.98	-	-	-	-	2,133.51	1,749.32	67.88	184.89
Expenses	455.78	302.57	2,322.21	1,355.22	228.53	413.31	521.19	343.83	37.61	74.54

52.2.1.5 Other Transactions - Bank / Group

Other Payments (43.1.4)	 -	246.42	236.54	 -	-	-	 -

52.2.1.6 Shareholding of Other Related Parties

Investment in Bank Shares - Voting (No.of Shares)		19,868,657	18,930,419	96,756,071	92,187,037	69,421,133	66,370,566	-	-
Investment in Bank Shares - Non Voting (No.of Shares)		-	-	31,228,726	31,227,893	167,255,646	154,839,289	-	59,401
Dividend Paid (LKR Mn)		69.19	53.09	246.83	344.22	441.94	610.65	-	0.16

* Includes Seylan Bank Employees' Provident Fund and Gratuity Trust Fund.

** Includes LKR 5.4 Bn cash back facility.

*** Includes Quoted Debenture investment held by Seylan Developments PLC (500,000 Debentures @ LKR.100/- each). The debenture redeemed during this year.

52.2.2 Transactions with the Government of Sri Lanka/ Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

Bank has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government Related Entities) as Related Parties according to LKAS 24 ' Related Party Disclosures'.

However, limited disclosures have been made in accordance with LKAS 24 'Related Party Disclosures' for transactions that are individually significant because of their size although these transactions were undertaken on normal terms in the ordinary course of business.

52.2.2.1 Voting Share Holding by State Institutions in Seylan Bank PLC.

	No of Shares-Voting
Sri Lanka Insurance Corporation Limited [includes General Fund and Life Fund]	44,507,444
Employees' Provident Fund	29,248,850
Bank of Ceylon	16,690,292
Employees' Trust Fund Board	6,309,485

52.2.2.2 Non-Voting Share Holding by State Institutions in Seylan Bank PLC.

	No of Shares-Non Voting
Employees' Provident Fund	17,001,074
Sri Lanka Insurance Corporation Limited [includes General Fund and Life Fund]	10,472,957
Employees' Trust Fund Board	3,754,695

52.2.2.3 Central Bank of Sri Lanka

Relationship with the Bank	Nature of the Transactions	LKR '000
Government Related Entity	Treasury Bills	67,786,541
	Treasury Bonds including Sri Lanka Development Bonds and Sri Lanka International Sovereign Bonds	91,328,452
	Securities Purchased Under Resale Agreement	817,150
	Securities Sold Under Repurchase Agreements - Repo (Note 38)	6,862,998
	Interest Income (Note 8.3)	25,285,431
	Interest Expenses (Note 8.3)	689,394
	Annual License Fees	29,656
	Sri Lanka Deposit Insurance Fund Contribution (Note 14)	696,749
	Balance with Central Bank of Sri Lanka (Note 21)	7,028,281

Other than above, the Bank has carried out transactions in the ordinary cause of business with the Government of Sri Lanka and other government related entities in the form of accommodation (funded/non-funded), deposits, utility bills, telephone charges, crib charges and statutory payments, etc. There are no other transactions that are collectively significant with government related entities.

53 Maturity Analysis

53.1 Assets - Bank

An analysis of the total assets employed as at 31 December 2023 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.12.2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Earning Assets						
Loans and Advances	216,367,004	95,245,373	74,417,202	32,587,855	18,915,036	437,532,470
Placements with Banks and Finance Companies	22,064,672	-	-	-	-	22,064,672
Government of Sri Lanka Treasury Bills/Bonds, Sovereign Bonds and US Treasury Bills	71,228,765	39,777,357	33,706,146	14,379,520	9,694,161	168,785,949
Investments in Debentures	19,509	33,250	266,231	66,500	365,644	751,134
Securities Purchased under	,	,200				,
Resale Agreements	817,150	-	-		-	817,150
Balances with Banks	31,815,850	580,788	-	-		32,396,638
Total Interest Earning Assets	342,312,950	135,636,768	108,389,579	47,033,875	28,974,841	662,348,013
Non Interest Earning Assets						
Cash in Hand	12,296,717	-	-	-	-	12,296,717
Balances with Central Bank of Sri Lanka	7,028,281	-	-	-	-	7,028,281
Balances with Banks	4,157,788	-	-	-	-	4,157,788
Investments in Equities		1,802,855	-	-	1,153,602	2,956,457
Group Balances Receivable	-	500	-		40,000	40,500
Property, Plant & Equipment/ Intangible Assets/ Right of Use Assets					0 500 157	0 500 157
Deferred Tax Assets		2 171 006	-		9,526,157	9,526,157
Derivative Financial	-	3,171,806	-	-	-	3,171,806
Instruments	88,022	-	-	-	-	88,022
Other Assets	16,370,157	60	2	204	1,271	16,371,694
Total Non Interest Earning Assets	39,940,965	4,975,221	2	204	10,721,030	EE 627 422
	33,340,303	4,975,221	2	204	10,721,030	55,637,422

53.2 Liabilities & Equity - Bank

An analysis of the total Liabilities & Equity as at 31 December 2023 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total as at 31.12.2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Bearing Liabilities		1				
Financial Liabilities at Amortised Cost due to Depositors	211,819,392	296,685,899	11,628,579	20,162,593	10,155,644	550,452,107
Financial Liabilities at Amortised Cost due to Debt Securities Holders	6,841,827	21,171	-	-		6,862,998
Due to Banks and Other Borrowings	1,162,539	4,896,175	6,054,193	-	-	12,112,907
Debt Securities Issued	563,789	6,079,912	6,715,000	6,609,000	-	19,967,701
Group Balances Payable	86,548	29,000	-	-	-	115,548
Lease Liabilities	79,167	206,354	529,336	548,522	4,046,039	5,409,418
Total Interest Bearing Liabilities	220,553,262	307,918,511	24,927,108	27,320,115	14,201,683	594,920,679
Non Interest Bearing Liabilities						
Demand Deposits	40,246,223	-	-	-	-	40,246,223
Other Liabilities	19,572,405	-	-	-	-	19,572,405
Derivative Financial Instruments	21,193	11,076	-	-	-	32,269
Current Tax Liabilities	2,688,253	-	-	-	-	2,688,253
Dividend Payable	18,750	-	-	-	-	18,750
Group Balances Payable	275	-	-	-	-	275
Equity	-	-	-	-	60,506,581	60,506,581
Total Non Interest Bearing Liabilities and						
Equity	62,547,099	11,076	-	-	60,506,581	123,064,756
Total Liabilities and Equity	283,100,361	307,929,587	24,927,108	27,320,115	74,708,264	717,985,435

53.3 Assets - Group

An analysis of the total assets employed as at 31 December 2023 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.12.2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Earning Assets						
Loans and Advances	216,367,004	95,245,373	74,417,202	32,587,855	18,915,036	437,532,470
Placements with Banks and Finance Companies	22,064,672	-	-	-	-	22,064,672
Government of Sri Lanka Treasury Bills/Bonds, Sovereign Bonds and US Treasury Bills	71,738,071	39,777,357	33,706,146	14.379.520	9,694,161	169,295,255
Investments in Debentures	19,509	33,250	266,231	66,500	365,644	751,134
Securities Purchased under Resale Agreements	817,150	-	-	-	-	817,150
Balances with Banks	31,815,850	580,788	-	-	-	32,396,638
Total Interest Earning Assets	342,822,256	135,636,768	108,389,579	47,033,875	28,974,841	662,857,319
Non Interest Earning Assets						
Cash in Hand	12,296,757	-	-	-	-	12,296,757
Balances with Central Bank of Sri Lanka	7,028,281	-	-	-	-	7,028,281
Balances with Banks	4,157.788	-	-	-	-	4,157,788
Investments in Equities	-	1,802,855	-	-	-	1,802,855
Investment Properties		-	-		884,219	884,219
Property, Plant & Equipment/ Intangible Assets/ Right of						
Use Assets	-	-	-	-	9,900,119	9,900,119
Deferred Tax Assets	-	2,571,168	-	-	-	2,571,168
Derivative Financial Instruments	88,022	-	-	-	-	88,022
Other Assets	16,405,225	60	2	204	1,271	16,406,762
Total Non Interest Earning Assets	39,976,073	4,374,083	2	204	10,785,609	55,135,971
Total Assets	382,798,329	140,010,851	108,389,581	47,034,079	39,760,450	717,993,290

53.4 Liabilities & Equity - Group

An analysis of the total Liabilities & Equity as at 31 December 2023 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.12.2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Bearing Liabilities						
Financial Liabilities at						
Amortised Cost due to						
Depositors	211,819,392	296,685,899	11,628,579	20,162,593	10,155,644	550,452,107
Financial Liabilities at						
Amortised Cost due to Debt	0.041.007	01 171				c 000 000
Securities Holders	6,841,827	21,171	-		-	6,862,998
Due to Banks and Other	1 160 520	4 906 175	6 054 102			10 110 007
Borrowings Debt Securities Issued	1,162,539	4,896,175	6,054,193	-	-	12,112,907
	563,789	6,079,912	6,715,000	6,609,000	-	19,967,701
Lease Liabilities	79,054	205,998	527,614	547,053	885,701	2,245,420
Total Interest Bearing Liabilities	220,466,601	307,889,155	24,925,386	27,318,646	11,041,345	591,641,133
Liabilities	220,400,001	307,009,133	24,920,300	21,310,040	11,041,345	091,041,100
Non Interest Bearing Liabilities						
Demand Deposits	40,246,223	-	-	-	-	40,246,223
Other Liabilities	19,605,224	-	-	-	-	19,605,224
Derivative Financial Instruments	21,193	11,076	-	-	-	32,269
Current Tax Liabilities	2,719,843	-	-	-	-	2,719,843
Dividend Payable	50,748	-	-	-	-	50,748
Equity	-	-	-	-	62,381,806	62,381,806
Non - Controlling Interest	-	-	-	-	1,316,044	1,316,044
Total Non Interest Bearing Liabilities and						
Equity	62,643,231	11,076	-	-	63,697,850	126,352,157
Total Liabilities and Equity	283,109,832	307,900,231	24,925,386	27,318,646	74,739,195	717,993,290

54 Segment Reporting (Group)

Segment information is presented in respect of the Group's Operating Segments. Operating Segments are based on the Group's management and internal reporting structure.

The Group comprises the following main Operating Segments.

Banking : Loans and Advances (including Leases and Bills), Margin Trading, Insurance, Deposits and other transactions and balances with corporate, SME & retail customers.

Treasury : The Treasury Department is responsible for managing Bank's Assets and Liabilities, Statutory Reserve Requirement, Liquidity, Foreign Exchange Position and Investment Portfolios.

Property/Investment : The property investment income, expenses, assets and liabilities.

	Ban	king	Trea	sury	Prop Invest		Unallo Elimin		То	tal
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Income	96,302,462	71,373,020	12,456,083	15,223,257	108,329	61,784	(1,698,472)	(551,724)	107,168,402	86,106,337
Less: Interest Expenses	61,815,649	39,495,176	5,079,379	5,886,291	2,203	959	(180,682)	(163,206)	66,716,549	45,219,220
Net Interest Income	34,486,813	31,877,844	7,376,704	9,336,966	106,126	60,825	(1,517,790)	(388,518)	40,451,853	40,887,117
Fee and Commission Income	7,585,798	6,648,542	153,351	22,718	-	-	11,853	25,799	7,751,002	6,697,059
Less : Fee and Commission Expenses	237,519	206,316	33,467	28,802	3,251	734			274,237	235,852
Net Fee and Commission			,							
Income	7,348,279	6,442,226	119,884	(6,084)	(3,251)	(734)	11,853	25,799	7,476,765	6,461,207
Net Gains/(Losses) from Trading		-	818,206	(446,958)	-	-	-	-	818,206	(446,958)
Net Gains from Derecognition of Financial Assets		-	150,289	34,149		-		-	150,289	34,149
Net Other Operating Income	678,576	800,448	295,579	3,660,582	463,049	565,861	(489,270)	(583,454)	947,934	4,443,437
Inter Segment Revenue	(74,922)	(70,989)	(505)	-		-	75,427	70,989		-
Total Operating Income	42,438,746	39,049,529	8,760,157	12,578,655	565,924	625,952	(1,919,780)	(875,184)	49,845,047	51,378,952
Less : Depreciation and		, ,				,		. , ,		
Amortisation Expenses	766,289	761,440	14,890	14,167	1,245	1,185	565,616	639,587	1,348,040	1,416,379
Less : Impairment Charges	15,694,705	21,424,165	1,310,241	5,008,911	-	-	(9)	-	17,004,937	26,433,076
Less : Operating Expenses, VAT & SSCL on Financial Services	16,039,654	13,070,977	1,832,596	1,304,526	119,410	97,195	3,230,959	2,260,141	21,222,619	16,732,839
Reportable Segment Profit Before Income Tax	9,938,098	3,792,947	5,602,430	6,251,051	445.269	527,572	(5,716,346)	(3,774,912)	10,269,451	6,796,658
Less : Income Tax Expenses		-, - ,-		-1 - 1			(-) -))	(** ** *	3,868,829	2,218,888
Profit for the Year									6,400,622	4,577,770
Profit Attributable To:										
Equity Holders of The Bank									6,321,116	4,574,359
Non-Controlling Interests									79,506	3,411
Profit for the Year									6.400.622	4,577,770
Other Comprehensive Income Net of Income Tax									56,454	
Other Information									50,454	(2,746,463)
	470.050.514	460 101 400	222 605 260	106 276 020	6 5 41 012	6 257 904	17 797 479	01 000 050	700 044 050	602 004 660
Reportable Segment Assets	470,959,514	468,181,492	233,605,360	100,370,930	6,541,912	6,357,894	17,737,472	21,888,352	720,044,200	682,804,668
Segment Accumulated Amortisation	(7,492,833)	(2,555,766)	(80,208)	(68,268)	4,270	(3,025)	(3,282,197)	(7,342,433)	(10,850,968)	(9,969,492)
Total Assets	(, , ,	465,625,726	,	186,308,662	6,546,182	6,354,869	(3,262,197)	14,545,919	717,993,290	
Reportable Segment Liabilities	403,400,001	403,023,720	200,020,102	100,300,002	0,340,102	0,334,009	14,433,273	14,040,010	717,555,250	072,033,170
& Equity	601,993,174	563,425,953	89,348,927	85,595,633	6,546,182	6,354,869	20,105,007	17,458,721	717,993,290	672,835,176
Total Liabilities & Equity	601,993,174	563,425,953	89,348,927	85,595,633	6,546,182	6,354,869	20,105,007	17,458,721	717,993,290	672,835,176
Cash Flows from Operating Activities	65,927,382	45,612,314	6,927,561	11,274,129	203,966	288,432	(5,170,794)	(3,063,823)	67,888,115	54,111,052
Cash Flows from Investing Activities	(294,393)	(270,149)	(1,490,863)	(11,223,517)	97,093	(59,765)	(753,642)	(201,717)	(2,441,805)	(11,755,147)
Cash Flows from Financing Activities	(792,238)	(753,451)	(4,676,757)	(2,589,596)	(177,558)	(207,151)	517,269	438,987	(5,129,284)	(3,111,211)
Capital Expenditure	(304,046)	(285,214)	(11,744)	(7,799)	(34,257)	(47,275)	(650,331)	(2,562)	(1,000,378)	(342,849)

SLFRS 8 requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters (the " management approach").

Such operating segments are identified on the basis of internal reports that the entity's Board of Directors reviews regularly in allocating resources and in assessing their performance.

Bank reviewed the existing reporting segments and concluded that no material change is required.

55 Non - Uniform Accounting Policies

The impact of non- uniform accounting policies adopted by subsidiary company has been adjusted in the Consolidated Financial Statements as set out below.

Adjustment Due to Different Accounting Policies of the Parent & the Group Entity Seylan Developments PLC (SD)

Seylan Bank PLC accounts for investment properties at cost, whereas Seylan Developments PLC accounts for investment properties at fair value.

Seylan Towers (East Towers) owned by Seylan Developments PLC is rented out to Seylan Bank PLC and is occupied by the Bank.

Therefore the land and buildings do not qualify as investment property in the Consolidated Financial Statements.

The building is treated as a Property in the Consolidated Financial Statements and has been depreciated accordingly.

The leased land has also been depreciated accordingly in the Consolidated Financial Statements and categorized under Right-of-Use Assets.

	Adjustments	Group Impact	Non Controlling Interest Impact
	LKR '000	LKR '000	LKR '000
Adjustments to Revaluation Gains / (Losses) on Investment Properties, Deferred Tax and on SLFRS 16			
Reversal of Revaluation Gain recognized in the Statement of Comprehensive Income by SD in 2023	(76,539)	(53,968)	(22,571)
Reversal of Deferred Tax recognized in the Statement of Comprehensive Income by SD in 2023	(8,402)	(5,924)	(2,478)
Gain on Revaluation of East Tower in 2023 adjusted to Revaluation Reserves in Consolidated Financial Statements.	120,850	85,211	35,639
Deferred Tax on Revaluation Gain of East Tower in 2023 recognized in Consolidated Financial Statements.	(36,255)	(25,563)	(10,692)
Adjustment on SLFRS 16 in the Consolidated Financial Statements	104,318	73,555	30,763
	103,972	73,311	30,661
Charging of Depreciation			
Depreciation Charges Adjusted in Consolidated Financial Statements			
for 2023	(103,584)	(73,037)	(30,547)
	(103,584)	(73,037)	(30,547)

Annexures

Statement of Comprehensive Income in US Dollars | 274 Statement of Financial Position in US Dollars | 275 Investor Information | 276 Branch and ATM Network | 281 Ten Years at a Glance | 282 Summary of Performance Indicators | 283 Geographical Analysis | 284 Global Reporting Initiative (GRI) Content Index | 285 Alphabetical Index | 291 Glossary | 292 Sinhala Translation of Chairman's Message (கலைக்குஇல்லீ கூடுத்தில்) | 297 Tamil Translation of Chairman's Message (தலைவரின் செய்தி) | 298 Corporate Information | 299

STATEMENT OF COMPREHENSIVE INCOME IN US DOLLARS

		Bank			Group	
For the Year ended 31 December	2023	2022	Change	2023	2022	Change
	USD '000	USD '000	%	USD '000	USD '000	%
Gross Income	360,134	266,636	35.07	360,326	266,687	35.11
Interest Income	330,235	237,032	39.32	330,512	237,136	39.38
Less: Interest Expenses	206,709	125,380	64.87	205,757	124,533	65.22
Net Interest Income	123,526	111,652	10.63	124,755	112,603	10.79
Fee and Commission Income	23,905	18,444	29.61	23,904	18,444	29.60
Less: Fee and Commission Expenses	836	648	29.01	845	650	30.00
Net Fee and Commission Income	23,069	17,796	29.63	23,059	17,794	29.59
Net Gains/(Losses) from Trading	2,523	(1,231)	304.96	2,523	(1,231)	304.96
Net Gains from Derecognition of Financial Assets	464	94	393.62	464	94	393.62
Net Other Operating Income	3,007	12,297	(75.55)	2,923	12,244	(76.13)
Total Operating Income	152,589	140,608	8.52	153,724	141,504	8.64
Less: Impairment Charges	52,444	72,796	(27.96)	52,444	72,796	(27.96)
Net Operating Income	100,145	67,812	47.68	101,280	68,708	47.41
Less: Operating Expenses	100,140	07,012	1.00	101,200	00,700	1.11
Personnel Expenses	28,218	21,933	28.66	28,356	22,052	28.59
Depreciation and Amortisation Expenses	3,964	3,740	5.99	4,157	3,901	6.56
	24,739		52.31	24.959		52.22
Other Expenses		16,243	35.80	1	16,397	35.71
Total Operating Expenses Operating Profit before Taxes	56,921 43,224	41,916	66.91	57,472	42,350	66.20
		25,896		43,808	26,358	
Less: Value Added Tax on Financial Services	10,655	7,289	46.18	10,655	7,289	46.18
Less: Social Security Contribution Levy	1,482	350	323.43	1,482	350	323.43
Profit before Income Tax	31,087	18,257	70.27	31,671	18,719	69.19
Less: Income Tax Expense	11,793	5,279	123.39	11,931	6,112	95.21
Profit for the Year	19,294	12,978	48.67	19,740	12,607	56.58
Profit Attributable to:	40.004	10.070	40.07	40.405	10 500	
- Equity Holders of the Bank	19,294	12,978	48.67	19,495	12,598	54.75
- Non-controlling Interest	-	-	-	245	9	2,622.22
Profit for the Year	19,294	12,978	48.67	19,740	12,607	56.58
Basic/Diluted Earnings per Share (USD)	0.03	0.02	56.80	0.03	0.02	58.35
Other Comprehensive Income, Net of Tax						
Items that are or may be reclassified to Income Statement						
Net Movement of Cash Flow Hedge Reserve	-	232	(100.00)	-	232	(100.00)
Net Gains/(Losses) on Investments in Debt Instruments measured at Fair						
Value through Other Comprehensive Income	3,046	(4,501)	167.67	3,064	(4,529)	167.65
Deferred Tax effect relating to Items that are or may be reclassified to Income						
Statement	(914)	1,082	(184.47)	(919)	1,087	(184.54)
Items that will never be reclassified to Income Statement						
Net Change in Fair Value on investments in Equity Instruments measured at						
Fair Value through Other Comprehensive Income	932	(3,360)	127.74	932	(3,363)	127.71
Revaluation of Property, Plant and Equipment	-	-	-	373	(55)	778.18
Actuarial Gains/(Losses) on Defined Benefit Obligations	(3,102)	(612)	(406.86)	(3,119)	(607)	(413.84)
Deferred Tax effect relating to Items that will never be reclassified to Income						
Statement	(44)	(345)	87.25	(157)	(330)	52.42
Other Comprehensive Income for the Year, Net of Tax	(82)	(7,504)	98.91	174	(7,565)	102.30
Total Comprehensive Income for the Year	19,212	5,474	250.97	19,914	5,042	294.96
Total Comprehensive Income Attributable to:						
- Equity Holders of the Bank	19,212	5,474	250.97	19,593	5,051	287.90
- Non-controlling Interest	-	-	-	321	(9)	3,666.67
Total Comprehensive Income for the Year	19,212	5,474	250.97	19,914	5,042	294.96

Exchange rate of USD 1 was LKR 324.25 as at 31 December 2023 (LKR 363.11 as at 31 December 2022).

The Statement of Comprehensive Income given on this page is solely for the convenience of the Shareholders, Bankers, Investors, Customers and Other Users of Financial Statements and does not form a part of the Audited Financial Statements.

STATEMENT OF FINANCIAL POSITION IN US DOLLARS

As at 31 December		Bank			Group	
	2023	2022	Change	2023	2022	Change
	USD '000	USD '000	%	USD '000	USD '000	%
Assets						
Cash and Cash Equivalents	150,659	110,860	35.90	150,659	110,860	35.90
Balances with Central Bank of Sri Lanka	21,676	46,223	(53.11)	21,676	46,223	(53.11)
Placements with Banks and Finance Companies	68,048	5,010	1,258.24	68,048	5,010	1,258.24
Derivative Financial Instruments	271	,			1,430	
	2/1	1,430	(81.05)	271	1,430	(81.05)
Financial Assets recognised through Profit or Loss	05 504	40.071	74.70	05 504	40.071	74.70
- Measured at Fair Value	85,594	48,971	74.79	85,594	48,971	74.79
- Designated at Fair Value	-	-	-		-	-
Financial Assets at Amortised Cost		4 000 07 4			4 000 074	10.00
- Loans and Advances	1,349,368	1,223,374	10.30	1,349,368	1,223,374	10.30
- Debt and Other Instruments	321,833	292,360	10.08	322,670	293,106	10.09
Financial Assets measured at Fair Value through Other	100 510	17 100	101 70	101.010	17.001	100 50
Comprehensive Income	123,512	47,193	161.72	124,246	47,331	162.50
Investment in Subsidiary	3,558	3,177	11.99		-	-
Group Balances Receivable	125	177	(29.38)	-	-	-
Property, Plant and Equipment	11,950	10,384	15.08	20,438	17,799	14.83
Right-of-use Assets	15,773	13,446	17.31	8,438	7,498	12.54
Investment Properties	-	-	-	2,727	2,442	11.67
Intangible Assets	1,656	1,405	17.86	1,656	1,405	17.86
Deferred Tax Assets	9,782	8,930	9.54	7,930	7,393	7.26
Other Assets	50,491	39,957	26.36	50,599	40,137	26.07
Total Assets	2,214,296	1,852,897	19.50	2,214,320	1,852,979	19.50
Liabilities						
Due to Banks	37,307	33,483	11.42	37,307	33,483	11.42
Derivative Financial Instruments	100	2,497	(96.00)	100	2,497	(96.00)
Financial Liabilities at Amortised Cost	100	2,437	(30.00)	100	2,437	(30.00)
- Due to Depositors	1,821,737	1,507,300	20.86	1,821,737	1,507,300	20.86
- Due to Depositors		32,895	(35.66)		32,895	(35.66)
	21,166			21,166	21	
- Due to Other Borrowers	50	21	138.10	50	- 21	138.10
Group Balances Payable	357	557	(35.91)			-
Debt Securities Issued	61,581	59,534	3.44	61,581	59,534	3.44
Current Tax Liabilities	8,291	14,124	(41.30)	8,388	14,263	(41.19)
Lease Liabilities	16,683	14,049	18.75	6,925	6,209	11.53
Other Liabilities	60,419	38,482	57.01	60,619	38,515	57.39
Total Liabilities	2,027,691	1,702,942	19.07	2,017,873	1,694,717	19.07
Equity						
Stated Capital	64,483	54,877	17.50	64,483	54,877	17.50
Statutory Reserve Fund	8,885	7,073	25.62	8,885	7,073	25.62
Retained Earnings	107,467	85,550	25.62	109,610	87,296	25.56
Other Reserves	5,770	2,455	135.03	9,410	5,534	70.04
Total Equity Attributable to Equity Holders of the Bank	186,605	149,955	24.44	192,388	154,780	24.30
Non-controlling Interest	-	-	-	4,059	3,482	16.57
Total Equity	186,605	149,955	24.44	196,447	158,262	24.13
Total Equity and Liabilities	2,214,296	1,852,897	19.50	2,214,320	1,852,979	19.50
Contingent Liabilities and Commitments	511,460	461,681	10.78	511,517	461,686	10.79
	007,110	401,001	15.38	011,017	401,000	10.13

Exchange rate of USD 1 was LKR 324.25 as at 31 December 2023 (LKR 363.11 as at 31 December 2022).

The Statement of Financial Position given on this page is solely for the convenience of the Shareholders, Bankers, Investors, Customers and Other Users of Financial Statements and does not form a part of the Audited Financial Statements.

INVESTOR INFORMATION

TWENTY LARGEST ORDINARY VOTING SHAREHOLDERS AS AT 31 DECEMBER 2023

	20	23		oldings of the ers in 2022
	No of Shares	Percentage (%)	No of Shares	Percentage (%)
1 Brown & Company PLC A/C NO. 1	31,086,943	10.48	29,618,949	10.48
2 Sri Lanka Insurance Corporation Ltd - General Fu	ind 29,671,631	10.00	28,270,471	10.00
3 Employees Provident Fund	29,248,850	9.86	27,867,655	9.86
4 Mr K D D Perera	28,166,399	9.49	26,836,320	9.49
5 Sampath Bank PLC/LOLC Investments Ltd	27,762,508	9.36	26,451,501	9.36
6 National Development Bank PLC	25,888,088	8.72	24,665,595	8.72
7 Seylan Bank PLC A/C No. 04 - Employees' Gratui Trust Fund	ity 19,573,513	6.60	18,225,523	6.45
8 Bank of Ceylon No.1 Account	16,690,292	5.62	15,902,140	5.62
9 Sri Lanka Insurance Corporation Ltd - Life Fund	14,835,813	5.00	14,135,233	5.00
10 Peoples Leasing & Finance PLC/Don and Don Holdings (Private) Limited	11,338,671	3.82	10,803,234	3.82
11 Sampath Bank PLC/Brown and Company PLC	10,082,252	3.40	9,606,146	3.40
12 Employees Trust Fund Board	6,309,485	2.13	6,011,538	2.13
13 Don and Don Holdings (Private) Limited	5,349,919	1.80	-	-
14 NDB Capital Holdings Limited Account No.02	3,005,354	1.01	2,863,435	1.01
15 Sisil Investment Holdings (Private) Limited	2,806,071	0.95	2,673,563	0.95
16 Mr M J Fernando (Deceased)	1,498,311	0.50	1,427,558	0.50
17 Mr K R B Fernando	1,283,864	0.43	1,223,238	0.43
18 Capital Alliance PLC	982,318	0.33	-	-
19 Mr R R Leon	933,190	0.31	1,337,803	0.47
20 Dr J L B Kotelawala	679,835	0.23	647,732	0.23
Total shares held by the top 20 holders	267,193,307	90.04		
Balance shares held by other 10,155 ordinary voti shareholders as at 31 December 2023	ng 29,523,059	9.96		
Total ordinary voting shares issued by the bank	296,716,366	100.00	282,704,760	
Total ordinary voting shareholders	10,175		10,078	

Notes :

- * Brown & Company PLC and LOLC Investments Ltd collectively hold 23.43% of the issued capital of the Bank. This joint shareholding limit has been approved by the Central Bank of Sri Lanka vide their letter dated 14 September 2011, subject to the joint holding of Brown & Company PLC A/C and LOLC Investments Ltd to be reduced from 23.43% to 15% level within a period of 15 years from 13 October 2009.
- * The Board decided at its meeting held on 15 April 2020 to limit the voting rights of Brown & Company PLC's shareholding in Seylan Bank PLC to 9.55% with effect from 31 March 2020 in compliance with the direction issued by the Monetary Board vide Director Bank Supervision's letter dated 6 April 2020.

		20	23		oldings of the ers in 2022
		No of Shares	Percentage (%)	No of Shares	Percentage (%)
1	L O L C Holdings PLC	164,472,386	51.60	152,262,646	51.60
2	Employees' Provident Fund	17,001,074	5.33	15,738,986	5.33
3	Don and Don Holdings (Private) Limited	8,571,297	2.69	9,874,165	3.35
4	Sri Lanka Insurance Corporation Ltd - Life Fund	8,222,957	2.58	9,882,823	3.35
5	Akbar Brothers Pvt Ltd A/C No. 1	6,810,259	2.14	6,337,096	2.15
6	Auerbach Grayson and Company LLC	4,366,382	1.37	4,053,725	1.37
7	Peoples Leasing & Finance PLC/Don and Don Holdings (Private) Limited	4,330,473	1.36	4,008,997	1.36
8	Employees Trust Fund Board	3,754,695	1.18	3,522,251	1.19
9	Merrill J Fernando & Sons (Pvt) Limited	3,540,466	1.11	3,277,637	1.11
10	Mr R R Leon	3,224,829	1.01	2,706,900	0.92
11	L O L C Technology Services Limited	2,783,260	0.87	2,576,643	0.87
12	Mr N Balasingam	2,493,566	0.78	2,308,455	0.78
13	LOLC Finance PLC/Don and Don Holdings (Pvt) Ltd	2,493,211	0.78	-	-
14	Sri Lanka Insurance Corporation Ltd - General Fund	2,250,000	0.71	2,083,833	0.71
15	Mr R Gautam	1,806,307	0.57	1,665,010	0.56
16	Mr M J Fernando (Deceased)	1,745,005	0.55	1,615,464	0.55
17	J B Cocoshell (Pvt) Ltd	1,700,495	0.53	-	-
18	Ms S Durga	1,471,329	0.46	1,371,362	0.46
19	Dr S Yaddehige	1,452,925	0.46	1,387,883	0.47
20	Odyssey Capital Partners (Private) Limited	1,324,357	0.42	-	-
Tot	al shares held by the top 20 holders	243,815,273	76.50		
	ance shares held by other 7,111 ordinary non- ing shareholders as at 31 December 2023	74,917,419	23.50		
Tot	al ordinary non-voting shares issued by the Bank	318,732,692	100.00	295,071,313	
Tot	al ordinary non-voting shareholders	7,131		7,309	

TWENTY LARGEST ORDINARY NON-VOTING SHAREHOLDERS AS AT 31 DECEMBER 2023

SHAREHOLDINGS OF DIRECTORS AS AT 31 DECEMBER 2023

Directors' shareholdings including the Director/Chief Executive Officer's holding as at 31 December 2023 are given on page 151 of the Report of the Board of Directors.

INFORMATION ON SHARE PRICES AND DIVIDEND PER SHARE

			ORDINARY SHARES (QUOTED)							
			Voting (SE)	(B-N)	Non-Voting (SEYB-X)					
			2023	2022	2023	2022				
No. of shares issued			296,716,366	282,704,760	318,732,692	295,071,313				
Dividend (per share)	Cash	LKR	Proposed : 1.00	Paid : -	Proposed : 1.00	Paid : -				
	Scrip	LKR	Proposed : 1.50	Paid : 2.00	Proposed : 1.50	Paid : 2.00				
Share Prices										
Highest		LKR	60.50	47.00	48.20	37.00				
Lowest		LKR	25.00	26.00	15.30	14.00				
Last traded		LKR	43.90	31.60	35.50	16.20				

INVESTOR INFORMATION

COMPLIANCE WITH MINIMUM PUBLIC HOLDING REQUIREMENT

VOTING (SEYB-N)

Period	Option under which the Bank is compliant	Float adjusted market capitalization	Public Holding Percentage	No. of Public shareholders
As at 31/12/2022	Option 4	LKR 4.9 Bn	54.85%	10,056
As at 31/12/2023	Option 3	LKR 7.1 Bn	54.87%	10,154

NON-VOTING (SEYB-X)

Period	Option under which the Bank is compliant	Float adjusted market capitalization	Public Holding Percentage	No. of Public shareholders
As at 31/12/2023	Option 3	LKR 5.3 Bn	47.46%	7,125

ANALYSIS OF THE DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2023

Range of Shareholding	No. of Shareholders	No. of Shares	Percentage (%) of Shareholding
1 - 1,000	7,420	1,658,781	0.560
1,001 - 10,000	2,295	6,680,456	2.251
10,001 - 100,000	398	9,951,523	3.354
100,001 - 1,000,000	45	13,827,642	4.660
1,000,001 & Above	17	264,597,964	89.175
Total	10,175	296,716,366	100.000
Resident/Non Resident			
Resident	10,043	294,368,889	99.21
Non-Resident	132	2,347,477	0.79
Individuals/Institutions			
Individuals	9,844	53,593,256	18.06
Companies/Institutions	331	243,123,110	81.94
ORDINARY NON-VOTING SHARES			
Range of Shareholding	No. of Shareholders	No. of Shares	Percentage (%) of Shareholding
1 - 1,000	3,540	1,062,129	0.333
1,001 - 10,000	2,573	9,110,679	2.859
10,001 - 100,000	853	25,235,249	7.917
100,001 - 1,000,000	142	35,965,127	11.284
1,000,001 & Above	23	247,359,508	77.607
Total	7,131	318,732,692	100.000
Resident/Non Resident			

Desident	7.007	202 000 740	04.75
Resident	7,067	302,006,746	94.75
Non-Resident	64	16,725,946	5.25
Individuals/Institutions			
Individuals	6,800	66,480,291	20.86
Companies/ Institutions	331	252,252,401	79.14

DEBENTURES 2018

Listed on CSE in April 2018) (SEYB D432, D433, D434)		5 Year De 12.85 Semi-a	Type A 5 Year Debentures 12.85%p.a. Semi-annual (redeemed on 29.03.2023)		e B ebentures %p.a. annual	Type C 10 Year Debentures 13.50%p.a. Semi-annual	
		2023	2022	2023	2022	2023	2022
No. of Debenture issue	No. of Debenture issued		39,100,000),000	16,090,000	
Debenture Prices							
Highest	LKR	Net	Net treated in	Networked			Net treded in
Lowest	LKR	Not Applicable	Not traded in 2022	Not traded in 2023	Not traded in 2022	Not traded in 2023	Not traded in 2022
Last traded	LKR	Applicable	2022	111 2023	2022	11 2023	2022

DEBENTURES 2019

(Listed on CSE in April 2019) (SEYB D458, D459)		5 Year De	%p.a.	Type B 5 Year Debentures 14.50%p.a. Semi-annual			
		2023	2022	2023	2022		
No. of Debentures is	sued	37,73	4,000	12,266,000			
Debenture Prices							
Highest	LKR	107.49					
Lowest	LKR.	98.00	Not traded in 2022	Not traded in 2023	Not traded in 2022		
Last traded	LKR	107.97					

DEBENTURES 2021

(Listed on CSE in April 2021) (SEYB D508, D509)		Typ 5 Year De 9.75% Ann	6 p.a.	Type B 5 Year Debentures 9.25% p.a. Quarterly			
		2023	2022	2023	2022		
No. of Debentures i	ssued	53,52	0,200	6,479,800			
Debenture Prices							
Highest	LKR	100.00					
Lowest	LKR	100.00	Not traded in 2022	Not traded in 2023	Not traded in 2022		
Last traded	LKR	100.00					

DEBENTURES 2023

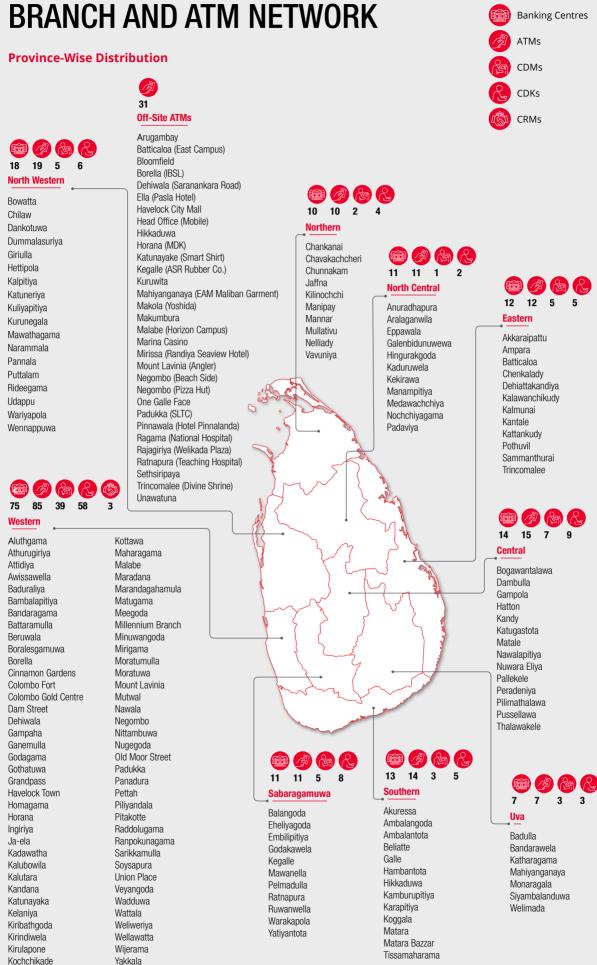
(Listed on CSE in May 2023) (SEYB D0546, D0547)		5Year De 28.00 Anr	e A ebentures %p.a. nual 02.05.2023)	Type B 5 Year Debentures 25.00% Quarterly (Allotment on 02.05.2023)		
		2023	2023 2022		2022	
No. of Debentures is:	sued	38,51	8,825	11,481,175		
Debenture Prices						
Highest	LKR	100.00		100.00		
Lowest	LKR	100.00	Not Applicable	100.00	Not Applicable	
Last traded	LKR	100.00		100.00		

INVESTOR INFORMATION

	2023	2022
Debt (Debentures) / Equity Ratio (Times)	0.33	0.40
)ebt (Debentures plus Long term Debt) / Equity Ratio (Times)	0.41	0.50
nterest Cover (Times)	4.45	3.56
luick Asset Ratio (Times)	0.88	0.86
016 Issue		
iterest Yield as at Date of Last Trade		
Year Fixed Semi Annual - 13.75% p.a. (Debenture matured and redeemed on (15/07/2023) (10/01/2023) / 13/12/2022)	15.56%	21.15%
rield to Maturity of Trade Done on		
' Year Fixed Semi Annual - 13.75% p.a. (Debenture matured and redeemed on (15/07/2023) (10/01/2023) / 13/12/2022)	33.57%	100.08%
nterest Rate of Comparable Government Security		
Years		25.88%
018 Issue		
iterest Yield as at Date of Last Trade		
i Year Fixed Semi Annual - 12.85% p.a. (Debenture matured and redeemed on 29/03/2023)	*	*
' Year Fixed Semi Annual - 13.20% p.a.	*	*
0 Year Fixed Semi Annual - 13.50% p.a.	*	*
/ield to Maturity of Trade Done on		
5 Year Fixed Semi Annual - 12.85% p.a. (Debenture matured and redeemed on 29/03/2023)	*	*
7 Year Fixed Semi Annual - 13.20% p.a.	*	*
10 Year Fixed Semi Annual - 13.50% p.a.	*	*
nterest Rate of Comparable Government Security		
5 Years		26.41%
7 Years	13.63%	28.50%
10 Years	13.88%	26.64%
2019 Issue		
nterest Yield as at Date of Last Trade		
5 Year Fixed Annual - 15.00% p.a. (05/06/2023)/*	16.21%	*
5 Year Fixed Semi Annual - 14.50% p.a.	*	*
/ield to Maturity of Trade Done on		
5 Year Fixed Annual - 15.00% p.a. (05/06/2023)/*	24.97%	*
5 Year Fixed Semi Annual - 14.50% p.a.	*	*
nterest Rate of Comparable Government Security		
5 Years	13.86%	27.58%
2021 Issue		
nterest Yield as at Date of Last Trade		
5 Year Fixed Annual - 9.75% p.a. (01/11/2023)/*	9.75%	*
5 Year Fixed Quartely -9.25 % p.a.	*	*
/ield to Maturity of Trade Done on		
Year Fixed Annual - 9.75% p.a. (01/11/2023)/*	9.70%	*
5 Year Fixed Quartely -9.25 % p.a.	*	*
nterest Rate of Comparable Government Security		
5 Years	13.68%	27.71%
2023 Issue (Debenture alloted on 02/05/2023)		
nterest Yield as at Date of Last Trade		
5 Year Fixed Annual - 28% p.a. (21/08/2023)	27.71%	
i Year Fixed Quartely -25 % p.a. (17/05/2023)	27.44%	
field to Maturity of Trade Done on		
i Year Fixed Annual - 28% p.a. (21/08/2023)	28.00%	
i Year Fixed Quartely -25 % p.a. (17/05/2023)	24.99%	
- 5 Years	13.66%	
	10.0070	

* No trading during the period.

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Kochchikade Kollupitiya Kotahena

Foreign Employment Bureau (ECG)

ANNEXURE

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TEN YEARS AT A GLANCE

Year Ended 31 December	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn
Trading Results										
Gross Income	116,773	96,818	54,767	57,224	61,370	54,873	49,161	37,873	28,586	28,564
Profit before Income Tax	10,080	6,629	6,028	4,111	5,098	4,666	6,656	5,734	5,777	4,649
Income Tax	3,824	1,917	1,447	1,100	1,418	1,477	2,226	1,724	1,946	1,571
Profit after Taxation	6,256	4,712	4,581	3,011	3,680	3,189	4,430	4,010	3,831	3,078
Other Comprehensive Income, net of Tax	(27)	(2,724)	(1,521)	1,832	2,234	(617)	2,426	(345)	(1,054)	(55)
Total Comprehensive Income	6,229	1,988	3,060	4,843	5,914	2,572	6,856	3,665	2,777	3,023
Dividends Proposed (Ordinary) LKR per Share	2.50	2.00	3.00	1.50	2.00	2.50	3.50	3.25	2.75	2.50
As At 31 December	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn
Financial Position										
Assets										
Cash and Short Term Funds (Including Securities Purchased under Resale	40.669	12 002	26 109	16 170	16,924	19.026	10.070	15 652	10 112	24 426
Agreements) Balances with Central Bank of Sri Lanka	49,668	43,883 16,784	26,108 8,726	16,179 7,371	14,459	18,036	10,070 19,120	15,653 16,212	10,113 8,564	24,436 7,432
	7,028				84,583	18,472				
Investments (Including Investment Properties) Loans and Advances, Placements with Banks	171,340	137,448	102,037	111,119	04,000	87,820	82,976	73,336	72,203	48,859
and Finance Companies	459,597	446,039	450,224	404,496	380,432	326,883	282,317	236,355	193,862	157,297
Investment in Subsidiary	1,154	1,154	1,154	1,154	1,154	1,154	1,154	1,154	1,152	1,106
Other Assets (Including Taxation)	19,672	18,335	9,654	8,285	9,293	10,214	8,590	8,669	6,915	6,887
Property, Plant and Equipment, Right-of-use Assets and Intangible Assets	9,526	9,163	9,674	9,103	9,449	4,354	3,899	4,634	3,522	3,294
Total Assets	717,985	672,806	607,577	557,707	516,294	466,933	408,126	356,013	296,331	249,311
Linhilition										
Liabilities Customer Deposits and Due to Banks	602,794	559,474	512 150	472,982	420 501	383,939	224 152	201 195	244 210	107.540
Borrowings and Debentures	26,847	33,569	513,158 24.287	19,648	429,501 28,320	37,456	334,152 29,148	291,185 28,491	244,310 18,605	197,540 20,090
Other Liabilities	25,130	20,166	16,163	13,726	12,552	9,674	8,197	7,756	7,486	6,327
Taxation (Including Deferred Tax)	2,688	5,128	1,882	2,340	1,251	1,209	2,381	762	843	1,324
Dividends Payable	19	19	34	44	43	45	42	46	31	21
Total Liabilities	657,478	618,356	555,524	508,740	471,667	432,323	373,920	328,240	271,275	225,302
Equity	00.000	10.000	10.004	17 5 40	17.045	10.000	11.000	10 500	10 500	10 500
Stated Capital	20,909	19,926	18,324	17,548	17,045	12,026	11,228	10,530	10,530	10,530
Statutory Reserve Fund	2,881	2,568	2,333	2,104	1,953	1,769	1,609	1,388	1,187	996
Reserves	36,717	31,956	31,396	29,315	25,629	20,815	21,369	15,855	13,339	12,483
Total Equity	60,507	54,450	52,053	48,967	44,627	34,610	34,206	27,773	25,056	24,009
Total Equity and Liabilities	717,985	672,806	607,577	557,707	516,294	466,933	408,126	356,013	296,331	249,311
Contingent Liabilities and Commitments	165,841	167,641	224,390	195,154	150,147	129,693	99,501	64,111	57,222	45,098

SUMMARY OF PERFORMANCE INDICATORS

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	Measure	2023	2022	2021	2020	2019
SIZE						
Assets Growth	%	6.72	10.74	8.94	8.02	10.57
Contingencies and Commitments / (Total Assets + Contingencies and Commitments)	%	18.76	19.95	26.97	25.92	22.53
Interest Earning Assets / Total Assets	%	92.25	87.13	92.10	92.97	90.74
Cash and Balances with CBSL / Total Assets	%	7.78	8.48	4.08	3.12	5.08
Risk Weighted Assets Growth	%	(5.21)	2.11	14.49	4.58	16.37
PROFITABILITY						
Return on Average Assets	%	0.90	0.74	0.79	0.56	0.75
Return on Average Equity	%	10.88	8.85	9.07	6.43	9.29
Profit for the Year / (Average Total Assets + Contingencies and Commitments)	%	0.73	0.56	0.58	0.42	0.58
Net Interest Margin on Average Total Assets	%	5.76	6.33	4.05	3.63	3.79
Net Interest Margin on Average Interest Earning Assets	%	6.42	7.08	4.38	3.95	4.20
Net Interest Income / Gross Income	%	34.30	41.87	43.07	34.07	30.62
Cost to Income Ratio	%	45.26	35.24	47.68	56.31	63.12
Cost to Income Ratio (Excluding VAT, SSCL, NBT & DRL)	%	37.30	29.81	41.53	50.30	51.76
Average Interest Yield	%	17.15	15.02	8.68	10.36	12.10
Average Interest Cost	%	11.58	8.52	4.77	6.98	8.65
Interest Rate Spread	%	5.57	6.50	3.91	3.38	3.45
Interest Yield on Average Customer Advances	%	16.11	14.78	8.49	10.45	12.73
Interest Cost on Average Customer Deposits	%	10.88	7.62	4.19	6.34	7.98
Spread on Customer Deposits and Advances	%	5.23	7.16	4.30	4.11	4.75
Dividend Payout *	%	24.59	24.52	34.99	25.75	27.37
Growth Rate of Equity	%	11.12	4.61	6.30	9.72	28.94
Earnings per Share**	LKR	10.17	7.66	7.44	4.89	5.98
Ordinary Dividends per Share	LKR	2.50	2.00	3.00	1.50	2.00
Net Assets Value per Share	LKR	98.31	94.24	97.44	94.71	88.61
ASSET QUALITY						
Expected Credit Loss on Loans and Advances	LKR Mn.	59,673	46,212	23,929	15,535	10,732
Expected Credit Loss on Loans and Advances / Loans and Advances	%	12.00	9.42	5.14	3.80	2.75
Impaired Loans (Stage 3) Ratio (%)	%	3.85	4.98	3.64	4.38	3.42
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	%	68.29	54.36	47.84	37.32	37.03
CAPITAL ADEQUACY						
Leverage on Share Holders Funds	Times	10.87	11.36	10.67	10.39	10.57
Leverage on Capital Funds (Including Debentures)	Times	7.92	7.84	7.25	7.45	7.00
Percentage Earnings Retained	%	75.41	75.48	65.01	74.25	72.63
Equity / Deposits, Borrowings and Securities Sold Under Re-Purchase Agreements	%	9.92	9.53	10.09	10.30	10.19
Equity / Total Assets	%	8.43	8.09	8.57	8.78	8.64
Equity / Loans and Advances	%	12.17	11.10	11.17	11.96	11.44
LIQUIDITY and FUNDING						
Loans and Advances / Deposits, Borrowings and Securities Sold Under Re-Purchase						
Agreements	%	81.55	85.83	90.32	86.06	89.05
Deposits / Deposits, Borrowings, Debentures and Securities Sold Under Re-Purchase						
Agreements	%	93.81	92.29	90.92	89.38	87.53
Liquid Assets / Total Assets	%	34.07	28.53	23.43	25.76	21.38
Liquid Assets / Deposits, Borrowings and Securities Sold Under Re-Purchase						
Agreements	%	40.12	33.60	27.60	30.21	25.20
Net Lending or (Borrowings) in Call Money Market	LKR Mn.	22,065	1,819	5,085	1,576	(14,596)
OTHER DATA						
Number of Banking Centres		171	171	171	172	173
Number of Staff Members		3,077	3,156	3,148	3,251	3,360
Profit per Staff Member	LKR '000	2,033	1,493	1,455	926	1,095
Number of Ordinary Shares - Voting	000	296,716	282,705	264,268	256,717	251,478
			295,071	269,923		252,146
- Non Voting	000	310.733	290.071	209.923	200.300	202.140
- Non Voting Share Prices as at 31 December - Voting	000 LKR	318,733 43.90	31.60	44.00	260,306 46.00	52.50

* Dividends for the year are accounted for as per Sri Lanka Accounting Standards - LKAS 10

** Earnings per Share has been restated as per Sri Lanka Accounting Standards - LKAS 33

GEOGRAPHICAL ANALYSIS

Deposits, Loans and Advances

As at 31 December 2023

Province	No. of Banking	Deposits	Loans and Advances			
	Centres	LKR Mn.	%	LKR Mn.	%	
Western	75	422,586	71.7	385,478	77.5	
Southern	13	26,224	4.4	25,219	5.1	
Uva	7	8,955	1.5	5,137	1.0	
North-Central	11	10,247	1.7	9,515	1.9	
North-Western	18	30,517	5.2	17,227	3.5	
Eastern	12	16,580	2.8	15,304	3.1	
Northern	10	19,660	3.3	8,672	1.7	
Sabaragamuwa	11	23,823	4.0	14,741	3.0	
Central	14	32,106	5.4	15,912	3.2	
	171	590,698	100.0	497,205	100.0	
Total Expected Credit Loss Allowance for Loans and Advances				(59,673)		
Total	171	590,698		437,532*		

 * Loans and Advances net of Expected Credit Loss Allowance.

Contingent Liabilities and Commitments

As at 31 December 2023

Province	No. of Banking Centres	Acceptances LKR Mn.	Standby Letters of Credit LKR Mn.	Guarantees LKR Mn.	Documentary Credit LKR Mn.	Bills for Collection LKR Mn.	Forward Exchange Contracts (Net) LKR Mn.	Total LKR Mn.
Contingent Liabilities								
Western	75	7,496	146	46,399	6,308	3,708	54	64,111
Southern	13	18	-	2,015	103	471	-	2,607
Uva	7	-	-	397	-	-	-	397
North-Central	11	1	-	1,454	-	-	-	1,455
North-Western	18	204	-	1,810	543	92	-	2,649
Eastern	12	-	-	934	29	-	-	963
Northern	10	-	-	865	-	-	-	865
Sabaragamuwa	11	22	-	664	20	2	-	708
Central	14	176	-	1,268	96	821	-	2,361
	171	7,917	146	55,806	7,099	5,094	54	76,116

Commitments								89,725
Total	171	7,917	146	55,806	7,099	5,094	54	165,841

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Statement of use		Seylan Bank PLC has reported in accordance with the GRI Standards for the period 01st Januanry to 31st December 2023						
GRI 1 used		GRI 1: Foundation 2021						
GRI	DISCLOSURE	LOCATION OMISSION						
STANDARD/ OTHER SOURCE	DISOLUSUIL	TITLE	PAGE NO	RE- QUIRE- MENT(S) OMITTED	REASON/ EXPLANATION			
General Disclo	sures							
GRI 2: General	2-1 Organizational details	Corporate Information	299					
Disclosures 2021	2-2 Entities included in the organization's sustainability reporting	Subsidiaries, Investment in Subsidiaries	181,235					
	2-3 Reporting period, frequency and contact point	About this Report	2					
	2-4 Restatements of information	Notes to the Financial Statements	218					
	2-5 External assurance	Independent Assurance Report -Note No.17.6	76					
	2-6 Activities, value chain and other business relationships	Subsidiaries, How We Create Value	8					
	2-7 Employees	Workforce by Province, Workforce by Grade, Gender and Age, Workforce by Term of Employment	47					
	2-8 Workers who are not employees	Workforce by Term of Employment	47					
	2-9 Governance structure and composition	The Board Composition	98					
	2-10 Nomination and selection of the highest governance body	Procedure for Appointment of Directors	99					
	2-11 Chair of the highest governance body	Disclosure of the Identity, Relationship of the Chairman	101					
	2-12 Role of the highest governance body in overseeing the management of impacts	Chairman Role	101					
	2-13 Delegation of responsibility for managing impacts	Management Functions Delegated by Board of Directors	100					
	2-14 Role of the highest governance body in sustainability reporting	Independent Assurance Report-Sustainability	76					
	2-15 Conflicts of interest	Avoidance of Conflict of Interest	97					
	2-16 Communication of critical concerns	Communication Policy with All Stakeholders	93					
	2-17 Collective knowledge of the highest governance body	Oversight of Affairs of Board by KMPs	94					
	2-18 Evaluation of the performance of the highest governance body	Effectiveness of Board's own Governance Practices/ Board Assessments	94					
	2-19 Remuneration policies	Determination of Remuneration Policy	109-110					
	2-20 Process to determine remuneration	Determination of Remuneration Policy	109-110					
	2-21 Annual total compensation ratio	Employee remuneration by gender and hierarchy	51					
	2-22 Statement on sustainable development strategy	Chief Executive Officer's Review	12					
	2-23 Policy commitments	Corporate Governance	90-95					
	2-24 Embedding policy commitments	Corporate Governance	90-95					
	2-25 Processes to remediate negative impacts	Responsibilities of the Board	92					
	2-26 Mechanisms for seeking advice and raising concerns	Grievences Handling and Whistleblowing	52					
	2-27 Compliance with laws and regulations	'Our compliance and due diligence' table	64					
	2-28 Membership associations	Membership in Associations	60					
	2-29 Approach to stakeholder engagement	Aligning aspirations with our stakeholders	20-23					
	2-30 Collective bargaining agreements	Human Resources, Freedom of Association and Collective Bargaining	152,52					

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI	DISCLOSURE	LOCATION		OMISSIO		
STANDARD/ Other Source		TITLE	PAGE NO	RE- QUIRE- MENT(S) OMITTED	REASON/ Explanation	
Material Topics						
GRI 3: Material	3-1 Process to determine material topics	Materiality	24-25			
Topics 2021	3-2 List of material topics	Materiality	24-25			
Economic perfo	rmance					
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 201: Economic	201-1 Direct economic value generated and distributed	Value Added Statement	42			
Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	Environmental and Social Governance (ESG)	70			
	201-3 Defined benefit plan obligations and other retirement plans	Measurement of Defined Benefit Obligations, Employee Retirement benefits, Notes to the accounts no.43.1	179, 189, 251			
	201-4 Financial assistance received from government	Refinance and subsidy scheme as a mode of blended finance for inclusivity	63			
Market presenc						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Ratio of standard entry level wage (Refer to 'Employees')	74			
	202-2 Proportion of senior management hired from the local community	Proportion of senior management from local community (Refer to "Employees")	74			
Indirect econon	nic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 203: Indi- rect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Social and Relattionship Capital	61-64			
impauls 2010	203-2 Significant indirect economic impacts	Refinance and Subsidy schemes as a mode of blended finance for inclusivity	63			
Procurement pr						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Engagement with suppliers of branch vicinity, Purchases from locally based suppliers (Refer to 'Suppliers')	58, 75			
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	Anti-Bribery and Corruption Policy	92-93			
2016	205-2 Communication and training about anti-cor- ruption policies and procedures	Anti-Bribery and Corruption Policy	92-93			
	205-3 Confirmed incidents of corruption and actions taken	"Our compliance and due diligence' table	64			
Anti-competitiv						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	"Our compliance and due diligence' table	64			
Тах						
GRI 3: Material Topics 2021	3-3 Management of material topics	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	163			

GRI	DISCLOSURE	LOCATION		OMISSION	
STANDARD/ Other Source		TITLE	PAGE No	RE- Quire- Ment(s) Omitted	REASON/ Explanation
GRI 207: Tax 2019	207-1 Approach to tax	Deferred Tax Asset Tax Notes 16 to 16.4 Tax Notes 34 to 34.1.2	179 215-217 244-247		
	207-2 Tax governance, control, and risk management	Notes to the Financial Statements 5.21, 5.21.1, 5.21.2, 5.21.3, 5.21.4, 5.21.4, 5.21.5, 5.21.6, 5.21.7	191-193		
	207-3 Stakeholder engagement and management of concerns related to tax	 4.1(a) - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction Tax Assessments Received by the Banks 5.21.7 - Advance Income Tax (AIT) and Withholding Tax (WHT) 	180 262 192		
	207-4 Country-by-country reporting	Not reported	-	Х	Not applicable
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 301: Mate- rials 2016	301-1 Materials used by weight or volume	Sustainability Performance Indicators (Refer to 'Environment')	75	Х	Not applicable
	301-2 Recycled input materials used	Not reported	-	Х	Not applicable
	301-3 Reclaimed products and their packaging materials	Not reported	-	Х	Not applicable
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Sustainability Performance Indicators (Refer to 'Environment')	75		
	302-2 Energy consumption outside of the organization	Not reported	-	Х	Not applicable
	302-3 Energy intensity	Not reported	-	Х	Not applicable
	302-4 Reduction of energy consumption	Not reported	-	Х	Not applicable
	302-5 Reductions in energy requirements of products and services	Not reported	-	Х	Not applicable
Water and efflu	ents				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 303: Water	303-1 Interactions with water as a shared resource	Water management	70		
and Effluents	303-2 Management of water discharge-related impacts	Not reported	-	Х	Not applicable
2018	303-3 Water withdrawal	Not reported	-	Х	Not applicable
	303-4 Water discharge	Not reported	-	Х	Not applicable
	303-5 Water consumption	Not reported	-	Х	Not applicable
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 304: Biodi- versity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	Protecting Biodiversity	73		
	304-2 Significant impacts of activities, products and services on biodiversity	Protecting Biodiversity	73		
	304-3 Habitats protected or restored	Protecting Biodiversity	73		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Protecting Biodiversity	73		

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI	DISCLOSURE	LOCATION		OMISSION	
STANDARD/ OTHER Source		TITLE	PAGE No	RE- QUIRE- MENT(S) OMITTED	REASON/ Explanation
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 305: Emis- sions 2016	305-1 Direct (Scope 1) GHG emissions	Not reported	-	Х	Information unavail- able/incomplete
	305-2 Energy indirect (Scope 2) GHG emissions	Not reported	-	Х	Information unavail- able/incomplete
	305-3 Other indirect (Scope 3) GHG emissions	Not reported	-	Х	Information unavail- able/incomplete
	305-4 GHG emissions intensity	Not reported	-	Х	Information unavail- able/incomplete
	305-5 Reduction of GHG emissions	Not reported	-	Х	Information unavail- able/incomplete
	305-6 Emissions of ozone-depleting substances (0DS)	Not reported	-	Х	Information unavail- able/incomplete
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not reported	-	Х	Information unavail- able/incomplete
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Not reported	-	Х	Not applicable
	306-2 Management of significant waste-related impacts	Waste management	71		
	306-3 Waste generated	Waste management	71		
	306-4 Waste diverted from disposal	Waste management	71		
	306-5 Waste directed to disposal	Waste management	71		
Supplier enviro	nmental assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 308: Suppli- er Environmen-	308-1 New suppliers that were screened using environmental criteria	Not reported	-	Х	Not applicable
tal Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Not reported	-	Х	Not applicable
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 401: Employment	401-1 New employee hires and employee turnover	New recruits by gender and region, Turnover by age	48		
2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee benefits	49-50		
	401-3 Parental leave	Parental leave	52		
Labor/manager	nent relations				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Minimum notice period	52		

GRI	DISCLOSURE	LOCATION			OMISSION
STANDARD/ OTHER Source		TITLE	PAGE No	RE- QUIRE- MENT(S) OMITTED	REASON/ Explanation
Occupational he	ealth and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 403: Occu- pational Health	403-1 Occupational health and safety management system	Health and wellbeing	50		
and Safety 2018	403-2 Hazard identification, risk assessment, and incident investigation	Health and wellbeing	50		
	403-3 Occupational health services	Health and wellbeing	50		
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employee engagement	50		
	403-5 Worker training on occupational health and safety	Health and wellbeing	50		
	403-6 Promotion of worker health	Health and wellbeing, Sustainability Performance Indicators (Refer to 'Employees')	50, 74		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not reported	NA		
	403-8 Workers covered by an occupational health and safety management system	Health and wellbeing, Sustainability Performance Indicators (Refer to 'Employees')	50, 74		
	403-9 Work-related injuries	Health and wellbeing	50		
	403-10 Work-related ill health	Health and wellbeing	50		
Training and ed	ucation				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 404: Training and	404-1 Average hours of training per year per employee	Employee development	48		
Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Details of training programmes conducted in 2023	48		
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance management	49		
Diversity and ec	jual opportunity				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 405: Diver- sity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity and inclusion, Sustainability Performance Indicators (Refer to 'Employees')	50,74		
	405-2 Ratio of basic salary and remuneration of women to men	Employment remuneration by gender and hierarchy	51		
Non-discrimina ⁻	tion				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 406: Non-discrimina- tion 2016	406-1 Incidents of discrimination and corrective actions taken	Listening and responding to our stakeholders (Refer to 'Employees'), Diversity and inclusion	22,50		
Freedom of ass	ociation and collective bargaining				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not reported	-	Х	Not applicable
Child labor GRI 3: Material Topics 2021	3-3 Management of material topics				

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI	DISCLOSURE	LOCATION			OMISSION
STANDARD/ OTHER Source		TITLE	PAGE NO	RE- QUIRE- MENT(S) OMITTED	REASON/ Explanation
Forced or comp	ulsory labor				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not reported	-	Х	Not applicable
Security practic	es				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 410: Se- curity Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Employee development	48 -49		
Rights of indige	nous peoples				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Not reported	-	Х	Not applicable
Local communit	ties				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments and development programs	Social and relationship capital	60-64		
2016	413-2 Operations with significant actual and potential negative impacts on local communities	Building community resilience	60-64		
Supplier social					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier evaluation and procurement process, Listening and responding to our stakeholders (Refer to 'Suppliers and business partners')	58, 22		
	414-2 Negative social impacts in the supply chain and actions taken	Supplier evaluation and procurement process, Listening and responding to our stakeholders (Refer to 'Suppliers and business partners')	58, 22		
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 415: Public Policy 2016	415-1 Political contributions	'Our compliance and due diligence' table	64		
Customer health	n and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Supplier evaluation and procurement process, Table on compliance and level/status	58, 64		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Supplier evaluation and procurement process, 'Our compliance and due diligence' table	58, 64		
Marketing and I	abeling				
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 417: Marketing and	417-1 Requirements for product and service information and labeling	'Our compliance and due diligence' table	64		
Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	'Our compliance and due diligence' table	64		
Duration of the	417-3 Incidents of non-compliance concerning marketing communications	'Our compliance and due diligence' table	64		
Customer privad					
GRI 3: Material Topics 2021	3-3 Management of material topics		F0 F1		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer privacy, 'Our compliance and due diligence' table	56, 54		

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A

Acceptances

Promise to pay when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Actuarial Gain / Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortised Cost of a Financial Asset or Financial Liability

The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

В

Basel III

The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Bills Sent for Collection

A Bill of Exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Basis Point (BP)

One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Business Model Assessment

Business model assessment is carried out as the first step of the financial assets classification process. Business model refers to how an entity manages its financial assets in order to generate cash flows.

C

Capital Adequacy Ratio

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Collectively Assessed Loan Impairment Provisions

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

Contingencies

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or nonoccurrence of one or more uncertain future events.

Consolidated Financial Statements

Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost to Income Ratio

Operating expenses as a percentage of total operating income.

Credit Ratings

An evaluation of a corporate ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the loans and advances to customers and other banks and investment in debt securities.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

D

Deferred Tax

Sum set aside in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as "Arrears".

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Documentary Letters of Credit

Written undertakings by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Ε

Earnings per Share (EPS)

The profit attributable to each ordinary share in the Bank, based on the profit for the period after tax and after deducting minority interest and preference share dividends.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)

Provision for taxation excluding deferred tax divided by the profit before taxation.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Expected Credit Loss (ECL)

The weighted average of credit losses with the respective risks of a default occurring as the weights.

Exposure at Default (EAD)

The amount that a bank is exposed to at the time of default of its borrower.

F

Fair Value

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

A financial asset/liability acquired incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract). Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of whatever is being leased.

Foreign Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Foreign Exchange Income

The realised gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

G

Global Reporting Initiatives (GRI)

The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

GLOSSARY

Group

A group is a parent and all its subsidiaries.

Guarantees

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

Н

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

High Quality Liquid Assets (HQLA)

Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be Central Bank eligible. These include, for example, cash and claims on Central Governments and Central Banks.

Ľ

Impaired Loans

Loans where the group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowance

Impairment allowance is a provision held as a result of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified as individual (specific) or collective (portfolio).

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/ services or for rental to others or for administrative purposes.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Κ

Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

L

Lifetime Expected Credit Losses

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

Liquidity Coverage Ratio (LCR)

Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loss Given Default (LGD)

The percentage of an exposure that a lender expects to not recover in the event of default.

Lease Liabilities

Present value of contractual lease payments.

Loan-to-Value Ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

М

Market Capitalisation

The value of a company obtained by multiplying the number of issued shares by its market value as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

Ν

Net Asset Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income (NII)

The difference between the amount a Bank earns on assets such as loans and securities and what it pays on liabilities such as deposits refinance funds and inter-bank borrowings.

Net Interest Margin (NIM)

The margin is expected as net interest income divided by average interest earning assets.

Net Stable Funding Ratio (NSFR)

Measures the amount of longer term, stable sources of funding employed by a Bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Non-Controlling Interest (NCI)

Non-Controlling Interest is the equity in a subsidiary not attributable directly or indirectly to a parent.

Nostro Account

A bank account held in 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.

ANNEXURE

0

Off-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position but which give rise to contingencies and commitments.

Open Credit Exposure Ratio

Total net non-performing loans and advances expressed as a percentage of equity.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Ρ

Parent

A parent is an entity that has one or more subsidiaries.

Past Due

A financial asset is past due when counterparty has failed to make a payment when that payment was contractually due.

Price-Earnings Ratio (P/E Ratio)

The current market price of the share is divided by the earnings per share of the Bank.

Price to Book Value

Market price of a share divided by the net assets value of a share.

Probability of Default (PD)

The likelihood of a default over a particular time horizon. It provides an estimate of the probability that a borrower will be unable to meet its debt obligations.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

R

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

Return on Equity (ROE)

Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserves

Reserves set aside for future distribution and investment.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Risk-Weighted Assets

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per Rupee among all types of assets. The risk inherent in off-balance sheet instruments is also recognised, first by adjusting notional values to Statement of Financial Position (or credit) equivalents and then by applying appropriate risk weighting factors.

Right-of-use Asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

S

Securities Sold Under Repurchase Agreement (Repo)

This relates to Treasury Bills and Bonds sold subject to a commitment to repurchase them at a predetermined price on a specified future date. Securities purchased under resale agreement (reverse REPO). These are loans collateralized by the purchase of Treasury Bills and/or guaranteed commercial papers from the counterparty to which the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price on a specific future date.

Segment Reporting

Disclosure of the Bank's assets, income and other information, broken down by activity and geographical area.

Shareholders' Funds/Equity

Total of issued and fully paid share capital and capital and revenue reserves.

Single Borrower Limit

30% of Total Regulatory Capital.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Significant Increase in Credit Risk (SICR)

According to SLFRS 9, an entity should assess whether the risk of default on a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort.

Т

Tier 1 Capital (Common Equity Tier 1 - CET 1)

Common Equity Tier 1 (CET 1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

Tier 1 Capital (Additional Tier 1 Capital - AT I)

Additional Tier 1 Capital (AT I) is a component of Tier 1 Capital that comprises securities that are subordinated to most subordinated debt, which have no maturity,

GLOSSARY

and their dividends can be cancelled at any time.

Tier 2 Capital

Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital

Capital base is summation of the core capital (Tier 1) and the supplementary capital (Tier 2).

U

Undrawn Credit Lines

Credit facilities approved but not yet utilized by the clients as at the reporting date.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

۷

Value Added

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to Government by way of taxes and retained for expansion and growth.

Vostro Account

A local currency account maintained by a local bank for a foreign (correspondent) bank.

γ

Yield to Maturity

Discount rate at which the present value of future payments would equal the security's current price.

12-Month Expected Credit Loss

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

සභාපතිතුමාගේ පණිවිඩය

හිතවත් පාර්ශ්වකරුවන් වෙතටයි,

2023 වර්ෂය අභියෝග මධ්යයේ වුවද, ශක්තිමත් කාර්යසාධනයක් සහිතව සාර්ථකත්වයෙන් යුතුව අවසන් කිරීමට හැකිවීම පිළිබඳව මම සතුටු වෙමි. අපි නිරතුරුවම අපගේ සන්නාමය සහ කළඹ තුළ ස්ථාවරත්වය සහ දිගු-කාලීන වර්ධනය උදෙසා ආයෝජනය කළෙමු. සේවකයන්ගේ දායකත්වය ද චක හා සමානව ඊට ලැබුණි. අසීරුතා සහිත ගෝලීය සාර්ව-ආර්ථික වාතාවරණයක් හා කැළඹිලි සහිත දේශීය ආර්ථික පසුබිමක් මැද වුවද 2023 වර්ෂයේ දී අප මූල¤මය සහ මෙහෙයුම් කාර්යසාධන සම්බන්ධයෙන් අගනා කඩඉම් කිහිපයක්ම ජයගත් බව සතුටින් දන්වමි. අප අනුගමනය කළ සුපරීක්ෂාකාරී පියවර බොහොමයක්ම, අපගේ ගමෘතාව පවත්වා ගැනීමට සහ අනාගත වර්ධනය උදෙසා වන අපගේ පදනම ශක්තිමත් කිරීමට බෙහෙවින් උපකාරී විය. එකී පියවර අතර, අවදානම් කළමනාකරණ කටයුතු පුළුල් කිරීම, කුියාවලි සරල කිරීම, ණය ලබාදීමේ දී විචක්ෂණශීලී වීම මෙන්ම පිරිවැය අවම කිරීම ද සවිශේෂී විය.

වටිනාකම් නිර්මාණය කිරීම

පසුගිය වසරේ මෙන්ම මේ වසරේ දී ද අපගේ පද්ධති වෙත අලුත් ශකතා එකතු කරමින්, අනාගත වර්ධනයට සහය සැලසෙන සේ අපගේ කුසලතා ශක්තිමත් කළෙමු. පුවිණයන් රට හැර යන පසුබිමක, අප කර්මාන්තය පුරාවටම පවතින මානව සම්පත් කළමනාකරණය පිළිබඳ දුෂ්කරතා වලට මුහුණ දීමට අපට ද සිදු විය. මෛන් අසිරු කාලවකවානුවක අපගේ කණ්ඩායමේ යනපැවැත්ම වැඩිදුයුණු කිරීම වෙනුවෙන් ගත් සාමූතික වැයම්, එම තත්ත්වය මැඩ පවත්වා ගැනීමෙහි ලා අපට උපකාරී විය.

මෙහෙයුම් කාර්යක්ෂමතාව සහ ගනුදෙනුකරුවන් වෙත අවධානය ඉහළ නැංවීම වෙනුවෙන් ඩිපිටල් පරිණාමන කුමෝපායයන් අඛණ්ඩව යොදා ගැනීමට අප වග බලා ගතිමු. අනාගතයට සූදානම් ඩිපිටල් විසඳුම් කෙරෙහි ආයෝජනයට අප උත්සුක වුයේ අප ගනුදෙනුකරුවන්ගේ ඉල්ලීම් දිනෙන් දින ඉහළ යනු දුටු නිසාවෙනි. අන්තර්ජාල බැංකුකරණයෙහි ඉහළ මට්ටමක් වූ, විවෘත API බැංකුකරණය (බැංකුවේ දත්ත සමුදාය බාහිර වැඩසටහනක් හෝ යෙදුමක් සමග සම්බන්ධ කරන අතුරු-මුහුණතකි) හඳන්වා දුන්නේ ඒ අනුවයි. චසේම, සුවිශේෂී විශේෂාංග රැසක් සපිර SeylanPay ගෙවීම් යෙදුම නැවත හඳුන්වා දීම ද සිදු කළෙමු. ඩිපිටල් පුගතිය නිරන්තරයෙන්ම සිදුවිය යුත්තක් බව අප විශ්වාස කරමු. එම නිසා, අපගේ කටයුතු පුළුල් කළ හැකි ආකාරයන්, මෙකී මෙවලම් චිකිනෙක හා යා කළ හැකි කුම සහ චිය මනාව කළ හැකි අයුරු ද අප නිරතුරුව විමසා බලන්නේ, අපගේ ගනුදෙනුකරුවන්ට සීමා මායිම් නොමැති, පුද්ගලාරෝපිත බැංකුකරණ අත්දැකීම් පිරිනැමීමේ අභිලාෂයෙනි.

වසර පුරාවටම බැංකුවේ පාත්ධන තත්ත්වය එක සේ ම සව්මත්ව පැවතිණ. එසේම, වසර පුරාවටම සියලු පාත්ධන පුමාණතා අනුපාත ද නියාමන අවම අවශතාවන්ට බොහෝ ඉහළින් පැවතිණ. අදාළ කාලසීමාව පුරාවට දුවශීලතා ස්වාරක්ෂක හොඳින් පවත්වා ගෙන යාම ද බැංකුවට පහසුවෙන්ම කළ හැකි විය.

තිරසාරත්වය පිළිබඳ අපගේ සැලසුම

අප ළගා කරගත් ජයගුහණ, ඉලක්කම් හෝ මනුම්දඬු වලට පමණක් සීමා වූ ඒවා නොවේ. අපගෙන් එළිය ලද ජීවිත වලින්, අප බලගන්වා ඇති පුජාවන් තුළින් මෙන්ම අප අනුගමනය කරන ධනාත්මක වෙනස්කම් වලින් ද ඒ ජයගුතණ මනාව පිළිබිමු වේ. 'තිරසාරත්වයේ තුමෝපායී අප දියත් කළේ මේ වසරේ දී ය. තිරසාරත්වය පිළිබඳ අපගේ අතිලාෂයන් මෙන්ම චක්සත් ජාතීන්ගේ තිරසාර සංවර්ධන ඉලක්ක කෙරෙහි බැංකුවේ දායකත්වය ද ඉන් පෙන්නුම් කෙරෙයි. තෝරාගත් ඉලක්ක සැබෑ කරගැනීම පිණිස අප සැකසූ තුමවේද සාර්ථකව කියාවට නැංවීමෙහි ලා කණ්ඩායමක් ලෙස පෙන්වූ කැපවීම, ජවය සහ පුගතිය මා තුළ ද සැබෑ දිරිගැන්වීමක් ජනිත කර ඇත.

අපගේ සේවාවන්, තාක්ෂණය, විසඳුම් සහ සමාජය පිළිබඳ වැඩපිළිවෙල වලින් මතු වූ යහපත් බලපෑම අපගේ පාර්ශ්වකරුවන්ගේ පිවිත වලත් සමාජයේ පුගතිය තුළත් දැකගත හැකිය. සෙලාන් බැංකු කණ්ඩායමෙනි වර්ධනය සහ සාර්ථකත්වය වෙනුවෙන් බැංකුව තවදුරටත් කැළවීමෙන් කටයුතු කරයි. සෙලාන් බැංකු කණ්ඩායමෙන් කුසලතා ඉහළ නැංවීමට හා ඔවුන්ට නව කුසලතා ඉහළ නැංවීමට හා ඔවුන්ට නව කුසලතා ඉහළ නැංවීමට හා ඔවුන්ට නව කුසලතා ඉහෙනීමට අවස්ථාව සැලසීම තුළින් ඔවුන්ගේ වෘත්තීමය සාර්ථකත්වය ළඟා කර ගැනීමට අවස්ථාව ලබා දෙයි. එමගින් අපගේ ගනුදෙනුකරුවන් අපේක්ෂා කරන වර්තාකම් ඔවුන්ට ලබාදීමේ හැකියාව ද අපගේ කණ්ඩායම වෙත ලැබී ඇත.

2023 වර්ෂයේ දී, අතීතයේ අන් කවරදාකටත් වඩා අපගේ ගනුදෙනුකරුවන් පරිපූර්ණ සහ පුද්ගලාරෝපිත මූලා උපදෙස් වල අවශතා පිළිබඳ දැඩි වුවමනාවක් පෙන්නුම් කළේ ය. ඔවුන්ගේ ස්ට්රසාර, විශ්වසනීය හවුල්කරු වශයෙන් අප උපරිම ලෙස කැපවී ඔවුන් වෙත සහය දීමට ඉදිරිපත් වුණෙමු.

පරිසරය, සමාජය සහ යහපාලනය (ESG) පිළිබඳ වැදගත්කම් ඒකාබද්ධ කිරීම අපගේ පුමුබතා වලින් එකකි. ඒ අනුව, සමාජයීය සහ පාර්සරික වෙනස්කම් වෙත ආයෝජකයන්ගේ සහය ලබාගැනීම වෙනුවෙන් නොකඩවාම තවෝර්පාදන විසඳුම් සෙවීමට ද අප කටයුතු කරමු. වනකිව යුතු ආයතනික පුරවැසියෙකු වශයෙන් අපගේ ESG වැඩපිළිවෙලෙහි නිරන්තර වැඩිදියුණුව උදෙසා තවදුරටත් කැපවෙමින්, අර්ථාන්විත වෙනසක් හා වඩාත් තිරසාර අනාගතයක් ගොඩනැගීමට අපගේ උපරිම දායකත්වය ලබා දුන්නෙමු.

යහපාලනය අරමුණු කළ අපගේ කාර්යරාමුව සවිමත් කර, පතිපත්ති සහ කියාවලි යාවත්තාලීන කිරීමට අප නිරන්තරයෙන් වෙහෙසෙමු. එහිදී, වැඩිදියුණු වන නියාමන අවශතෝ හා මනා ගෝලීය පිළිවෙත් අනුව අපගේ පතිපත්ති හා කියාවලි ගැළපෙන බව සහතික කිරීමට අඛණ්ඩව කටයුතු කළෙමු. අපගේ මෙහෙයුම් කටයුතු වල සුරැකිතාව තහවුරු කිරීම, සංවේදී තොරතුරු ආරක්ෂණය සහ අපගේ පාර්ශ්වකරුවන්ගේ විශ්වාසය සුරැකීම වෙනුවෙන් අපගේ අවදානම් කළමනාකරණ හැකියාවන්ගේ සහ අනුකූලතා අවශතෝ වල වැඩිදියුණුව උදෙසා වන පද්ධති සහ කියාවලි වෙත ආයෝජනයට ද පුමුඛතාව ලබා දුන්නෙමු.

අධෘක්ෂ මණ්ඩලය තුළ වෙනස්කම්

2023 අපේල් 30 වැනි දින විශාම ගිය හිටපු අධාක්ෂ / පුධාන විධායක නිලධාරී, කපිල ආර්යරත්න මහතා පසුගිය වසර 12 පුරාවට බැංකුව වෙනුවෙන් ඉටු කළ මෙහෙය හා සිදු කළ කැපවීම් වලට මම ස්තූතිවන්ත වෙමි. අභියෝග සහ අසීරුතා පිරි වසර වලදී ඒවාට මුහුණිදීමේ තැකියාව සැලසූ නියමුවා ලෙස ඔහු ලබා දුන් සුවිශේෂී නායකර්වය සහ කළ කැපවීම් පැසසිය යුතු ම ය.

ශී ලංකා මත බැංකුවේ පාලන මණ්ඩලය වෙත ලද පත්වීමට අනුව, 2023 සැප්තැම්බර් මාසයේ අපගේ අධාත්ෂ මණ්ඩලයෙන් ඉල්ලා අස්වීමට සිදු වූ ජෙස්ෂ්ඨ අධාත්ෂ, අනුෂ්ක විපේසිංත මහතා ඇගයීමට ද මෙය අවස්ථාවක් කරගනිමි. අප අධාත්ෂ මණ්ඩලයට ඉමහත් සවියක් වූ ඔහු සුවිශේෂී පුද්ගලයෙකි. ඔහු සභාපතිත්වය දැරූ අනු කමිටු තරහා අප බැංකුව වෙත ලබා දුන් අහනා දායකත්වය විශේෂයෙන්ම සිහිපත් කළ යුතු වේ. ස්වාධීන, විධායක නොවන අධනක්ෂ, රවී අබේසූර්ය මහතා 2023 ඔක්තෝබර් මාසයේ සිය දිවියෙන් සමුගැනීම අප තුළ ඇති කළේ බලවත් කනගාටුවකි. පසුගිය වසර පහක කාලය තුළ ඔහුගේ දැක්ම සහ දායකත්වය බැංකුවෙහි උන්නතියට බෙහෙවින් ඉවහල් විය.

බැංකුවේ අනුපුාප්තික සැලසුමට අනුව, අධායක්ෂ/ පුධාන විධායක නිලධාරී වශයෙන් රමේෂ් ජයසේකර මහතා පසුගිය වසර තුළ දී වැඩ තාර ගනු ලැබීය. දේශීය හා විදේශීය වශයෙන් බැංකුකරණ අත්දැකීම් සම්බන්ධයෙන් සියලු අංශ වල මනා පළපුරුද්දක් සහිත ජයසේකර මහතා පසුගිය වසර 12ක කාලය තුළ අප බැංකුවේ වැදගත් අංශ රැසක විවිධ තනතුරු දරා ඇත. බැංකුවේ පුධාන විධායක නිලධාරී තනතුරට පත්වීමේ උපරිම සුදුසුකම් ඔහු හිමිකරගෙන ඇත්තේ ඒ අනුව ය. අනාගතයේ දී අප බැංකුව දියුණුවෙත් දියුණුවට පත් කිරීමේ දක්ෂතා ඔහු සතු බවට මම විශ්වාස කරමි.

ඇගයුම්

බොහෝ අතියෝග සනිටුහන් කෙරුණු වසරක, අධතක්ෂ / පුධාන විධායක නිලධාරීතුමාගේ මගපෙන්වූම යටතේ කියාත්මක වූ ආයතනික කළමනාකාරීත්වය විසින් මෙන්ම සෙලාන් බැංකුවේ සමස්ථ කණ්ඩායම විසින් පෙන්නුම් කළ දැඩි ඔරොත්තු දීමේ තැකියාව හා විශිෂ්ට කැපවීම සැබැවින්ම පැසසිය යුතු වේ. බාධක ජයගෙන, සැලකිය යුතු කඩඉම් කරා සාර්ථකව ළඟා වෙමින් නොනවත්වාම ඉදිරිය බලා ගමන් කිරීමට සාමූනිකව ගනු ලැබූ අපුතිතත වැයම මා අගය කරන්නේ සාඩම්බර හැඟීමකින් යුතුව ය.

නිවැරදි ඉසව්ව කරා අපගේ බැංකුව යොමු කරවීමෙහි ලා, අපගේ අධ්යක්ෂ මණ්ඩලයේ කුමෝපායික දැක්ම සහිත මගපෙන්වුම බෙහෙවින් ඉවහල් විය. අභියෝගාත්මක කාලවකවානු වලදී එකාවන් ව ලබා දුන් සහයෝගිතාව සහ පළ කළ පොදු කැපවීම වෙනුවෙන් අපගේ අගනා කොටස්කරුවන්, වටිනා ගනුදෙනුකරුවන් සහ අනෙකුත් සියලුම පාර්ශ්වකරුවන් හට මාගේ ස්තූතිය පළ කිරීමට ද මෙය අවස්ථාවක් කරගනිම.

පසුගිය වසර පුරාවට අප වෙත පළ කළ සහය වෙනුවෙන් ශ්‍රී ලංකා මහ බැංකුවේ නිලධාරීන් වෙත මාගේ කෘතඥතාව පළ කිරීමට ද මම කැමැත්තෙමි.

නිමාව

විවිධ අංශ සම්බන්ධයෙන් අප සැලකිය යුතු දියුණුවක් ලබමින් මෙම වසර නිමා කළෙමු. චී අනුව, මෙහෙයුම් කටයුතු අතින් අපි වඩාත් ශක්තිමත් වී ඇත. බැංකුකරණ පුවේශය අතින් ද අපි වඩාත් අනාගතවාදී පුවේශයකට එළඹ සිටිමු. අපට ඇත්තේ වර්ධනය පෙරටු කරගත් මානසිකත්වයකි. දිගු-කාලීන සාර්ථකත්වයට ඔරොත්තු දීමේ හැකියාව සලසන නිවැරදි ආයතනික වනුහයක් හා උපරිම කුසලතා ද අප සතු ය. අප ළඟා කරගත් ජයගුහණයන් ගැන අපට ඇත්තේ නිහතමානී ආඩම්බරයකි. චසේම, අප ඉදිරියේ පවත්නා අභියෝග ගැන ද අප සිටින්නේ අවදියෙනි. උද්යෝගයෙන් යුතුව පෙරට යාමේ දී අපට සවියක් වන්නේ අප තුළ පවත්නා සහයෝගීතාව පිළිබඳ පීවගුණය සහ විශිෂ්ඨත්වය වෙත ඇති කැපවීමයි. ඉදිරි වසර වල දී ද සෙලාන් බැංකුවේ ස්ථාවරත්වය හා විශිෂ්ඨත්වය චක සේ පැවතීම චමගින් සහතික කෙරෙනු ඇත.

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ඩබ්ලිව්. එම්. ආර්. එස්. ඩයස් සභාපති

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தலைவரின் செய்தி

அன்பான பங்காளர்களே,

2023இன் சவால்களின் மத்தியிலும், செலான் வங்கி வலுவான செயல்திறனை வழங்கியதோடு மட்டுமல்லாது நம்பிக்கையான பார்வையில் வருடத்தை நிறைவுசெய்ய முடிந்ததையிட்டு நான் மகிழ்ச்சியடைகிறேன். எங்களின் வர்த்தக நாமம், சொத்து முறைமைகளின் ஸ்திரத்தன்மை மற்றும் நீண்ட கால வளர்ச்சிக்காக தொடர்ந்து முதலீடு செய்த அதேவேளை பணியாளர்களின் ஈடுபாடு வலுவாக இருப்பதையும் உறுதி செய்கோம். கடினமான உலகளாவிய வெளியகப் பொருளாதாரச் சூழல் மற்றும் நிச்சயமற்ற உள்ளூர் பொருளாதாரச் சூழல் ஆகியவற்றால் பரீட்சிக்கப்பட்ட போதிலும், 2023ஆம் ஆண்டில் நிதி மற்றும் செயற்பாட்டு செயற்திறனில் குறிப்பிடத்தக்க சையற்பாட்டு சேயற்தறனால் குறப்படத்தக்க மைல்கற்களை கடந்துள்ளோம் என்பதை பகிர்ந்து கொள்வதில் மகிழ்ச்சி அடைகிறேன். விரிவான இடர் மேலாண்மை, செயன் முறை எளிதாக்கம், விவேகமான கடன் வழங்குமுறைமை மற்றும் செலவுக் குறைப்பு ஆகியவை வேகத்தை தக்கவைத்து, எதிர்கால வளர்ச்சிக்கான எங்கள் அடித்தளத்தை பலமாக்க உதவியது.

மதிப்புருவாக்கம்

கடந்த வருடத்தைப் போலவே இந்த வருடமும் எங்கள் அமைப்புகளில் புதிய திறன்களை சேர்த்துள்ளதுடன் எதிர்கால வளர்ச்சிக்கு உறுதுணையாக எங்கள் திறமைகளை வலுப்படுத்தினோம். நாட்டில் உள்ள திறமை வெளியேற்றத்துடன், எங்கள் மனித வளத்தை நிர்வகிப்பது கடினமாக இருந்தது. இது முழுத் தொழில்துறையிலும் வெளிப்பட்டது. இதனால் இந்த கடினமான காலங்களில் எமது குழுவின் நல்வாழ்வை மேம்படுத்த ஒருங்கிணைந்த முயற்சி எடுக்கப்பட்டது.

வாடிக்கையாளர்களை மையப்படுத்திய செயற்பாட்டுத் திறனில் சிறந்து விளங்கும் நோக்கத்துடன் எமது டிஜிட்டல் மயமாக்கல் உத்தியை நாங்கள் தொடர்ந்து மேற்கொண்டோம். எங்கள் வாடிக்கையாளர்களின் அதிகரித்து வரும் தேவைகளைப் பூர்த்தி செய்யும் முகமாக Open API வங்கிச் சேவையின் அறிமுகம், மேம்படுத்தப்பட்ட இணைய வங்கிச் சேவை மற்றும் பல்வேறு அம்சங்கள் நிறைந்த SeylanPay கட்டணச் செயலியின் மீள்அறிமுகம் உள்ளடங்கலாக எதிர்காலத்திற்கு தயார் செய்யும் டிஜிட்டல் தீர்வுகளில் முதலீடு செய்துள்ளோம். டிஜிட்டல் முன்னேற்றம் ஒரு தொடர் செயற்பாடாக நிகழ வேண்டும் என நாம் கருதுகிறோம். எனவே, எங்கள் வாடிக்கையாளர்களுக்கு தடையற்ற, தனிப்பயனாக்கப்பட்ட அனுபவத்தை வழங்க இந்தக் கருவிகளை விரிவுபடுத்தவும், இணைக்கவும் மற்றும் பூரணமாக்கும் வழிகளையும் நாம் தொடர்ந்து ஆராய்ந்து வருகிறோம்.

வங்கியின் மூலதன நிலை வருடம் முழுவதும் உறுதியாக இருந்ததுடன் அனைத்து முலதன விகிதங்களும் குறைந்தபட்ச ஒழுங்குமுறை தேவைகளுக்கு மேல் பராமரிக்கப்பட்டது. வருடம் முழுவதும் வங்கி சௌகரியமான பணப்புழக்க ஏற்றஇறக்கங்களைப் பராமரித்தது.

எமது நிலைத்தன்மை வரைபடம்

எங்களின் சாதனைகள் வெறுமனே எண்கள் அல்லது நிதி அளவீடுகளுக்கு மட்டுப்படுத்தப்பட்டவை அல்ல. அவை நாம் கடந்து வந்த வாழ்விலும், நாம் வலுப்படுத்திய சமூகங்களிலும், எமது நேர்மறையான மாற்றங்களிலும் பிரதிபலிக்கின்றன. இவ்வருடம் நாங்கள் "நிலையான உத்தியை" அறிமுகப்படுத்திளோம். இது எங்கள் நிலைபேறான அபிலாஷைகள் மற்றும் ஐக்கிய நாடுகளின் நிலைபேண் அபிவிருத்தி இலக்குகளுக்கு வங்கியின் பங்களிப்பை கோடிட்டுக் காட்டுகிறது. தேர்ந்தெடுக்கப்பட்ட இலக்குகளுக்கு எதிராக, நிர்ணயிக்கப்பட்ட குறிக்கோள்களை அடைவதில் குழு காட்டும் அர்ப்பணிப்பு, ஆற்றல் மற்றும் முற்போக்குத்தன்மை கண்டு நான் பெருமை கொள்கீறேன்.

எங்கள் சேவைகள், தொழில்நுட்பங்கள், தீர்வுகள் மற்றும் சமூக முன்முயற்சிகளின் தாக்கம் எமது பங்குதாரர்களின் வாழ்விலும் எமது சமூகத்தின் முன்னேற்றத்திலும் எதிரொலிக்கிறது. செலான் வங்கியில், எங்கள் குழுவின் வளர்ச்சி மற்றும் வெற்றி தொடர்பாக நாங்கள் உறுதியாகவுள்ளதோடு திறன் மேம்பாடு மற்றும் மீள்திறன் ஆகியவற்றில் தொடர்ந்து முதலிடுகிறோம். இதன் ஊடாக வெற்றிகரமான தொழில்முறை வாழ்வை உருவாக்கும் அதேவேளை எங்கள் வாடிக்கையாளர்கள் எதிர்பார்க்கும் மதிப்பையும் வழங்க முடியும்.

2023 ஆம் ஆண்டு முழுவதும் எங்கள் வாடிக்கையாளர்கள் கடந்த காலத்தை விட பரந்த மற்றும் தனிப்பயனாக்கப்பட்ட நிதி ஆலோசனையின் தேவையை வெளிப்படுத்தினர். எங்கள் வாடிக்கையாளர்களுக்கு தளர்வின்றி உதவியதோடு அவர்களின் உறுதியான மற்றும் நம்பகமான பங்காளராக தொடர்ந்து இருந்தோம்.

சுற்றுச்சூழல், சமூகம் மற்றும் நிர்வாகம் (ESG) தொடர்பான பரிசீலனைகளின் ஒருங்கிணைப்பு எங்களின் முதன்மையான முன்னுரிமைகளில் ஒன்றாகும். மேலும் சமூக மற்றும் சுற்றுச்சூழல் மாற்றத்தை ஆதரிக்கும் நோக்கில் முதலீட்டாளர்களுக்கான புதுமையான தீர்வுகளைத் தொடர்ந்து தேடுகிறோம். ஒரு பொறுப்புள்ள சமூகப் பிரஜையாக, அர்த்தமுள்ள மாற்றத்தை ஏற்படுத்தவும் மேலும் நிலையான எதிர்காலத்தை உருவாக்கவும் எங்கள் ESG முயற்சிகளின் தொடர்ச்சியான முன்னேற்றத்தில் நாங்கள் உறுதியாக உள்ளோம்.

நிர்வாகத்தில் நாங்கள் தொடர்ந்து எங்கள் கட்டமைப்பை வலுப்படுத்தி, எங்கள் கொள்கைகள் மற்றும் நடைமுறைகளைப் புதுப்பித்ததன் மூலம் அவை மாறிவரும் ஒழுங்குமுறை தேவைகள் மற்றும் உலகளாவிய சிறந்த நடைமுறைகளுடன் ஒத்துப்போவதை உறுதிசெய்தோம். எங்கள் செயற்பாடுகளை பாதுகாப்பதற்கும் முக்கியமான தகவல்களை பாதுகாப்பதற்கும் மற்றும் எங்கள் பங்குதாரர்களின் நம்பிக்கையைப் பேணுவதற்கும், எங்கள் இடர் மேலாண்மை திறன்கள் மற்றும் இணக்கத் தேவைகளை மேம்படுத்தும் அமைப்புகள் மற்றும் செயல்முறைகளில் முதலீடு செய்துள்ளோம்.

இயக்குனர் சபை மாற்றங்கள்

ஏப்ரல் 30, 2023 அன்று சபையிலிருந்து ஒய்வுபெற்ற முன்னாள் பணிப்பாளர்/பிரதம நிறைவேற்று அதிகாரியான திரு.கபில ஆரியரத்ன அவர்கள் கடந்த 12 வருடங்களாக வங்கிக்கு வழங்கிய குறிப்பிடத்தக்க பங்களிப்பு மற்றும் அர்ப்பணிப்பான சேவைக்கு எனது நன்றிகளை தெரிவித்துக் கொள்கிறேன். அவரது சிறந்த தலைமைத்துவமும் அர்ப்பணிப்பும் செலான் வங்கியை கடினமாம மற்றும் சவாலான ஆண்டுகளில் வழிநடாத்தியது.

இலங்கை மத்திய வங்கியின் நிர்வாக சபைக்கு நியமிக்கப்பட்டதன் காரணமாக 2023 செப்டேம்பர் எமது சபையிலிருந்து இராஜினாமா செய்த சிரேஷ்ட பணிப்பாளர் திரு.அனுஷ்க விஜேசின்ஹ அவர்களுக்கு எனது பாராட்டுக்களை தெரிவித்துக் கொள்கிறேன். அவர் தலைமை தாங்கிய உப குழுக்கள் மூலம் விலைமதிப்பற்ற பங்களிப்பை வழங்கி எமது சபைக்கு பக்கபலமாக இருந்தார். 2023 ஒக்டோபரில், சுதந்திரமான, நிர்வாகமற்ற இயக்குநராக இருந்த திரு.ரவி அபேசூரியவின் மறைவு எங்களை மிகவும் வருத்தத்தில் ஆழ்த்தியது. கடந்த ஐந்து வருடங்களாக திரு. அபேசூரியவின் பங்களிப்பும் தொலைநோக்கு பார்வையும் வங்கியின் பயணத்தில் பெரும் பயனுள்ளதாக இருந்தமை குறிப்பிடத்தக்கது.

இவ்வாண்டில், திரு.ரமேஷ் ஐயசேகர வங்கியின் தொடர் திட்டத்திற்கு ஏற்ப வங்கியின் பணிப்பாளர்/தலைமை நிர்வாக அதிகாரியாகப் பொறுப்பேற்றார். திரு. ஐயசேகர அவர்கள் உள்நாட்டிலும் வெளிநாடுகளிலும் பெற்றுக்கொண்ட அனைத்து விதமான வங்கி அனுபவங்களும் குறிப்பாக கடந்த பன்னிரெண்டு ஆண்டுகளாக எங்கள் வங்கியின் முக்கியப் பிரிவுகளில் அவர் வகித்த தலைமைப் பதவிகள் அவரை வகித்த தலைமைப் பதவிகள் அவரை தலைமை நிர்வாக அதிகாரியாக பொறுப்பேற்கத் தயார்படுத்தியுள்ளது. அவருது தலைமைத்துவம், எதிர்காலத்தில் வங்கியை மேலும் பல உயரங்களுக்கு கொண்டு செல்லும் என நான் நம்புகிறேன்.

பாராட்டுக்களும் நன்றிகளும்

பல சவால்களால் குறிக்கப்பட்ட வருடத்தில், பணிப்பாளர்/பிரதம நிறைவேற்று அதிகாரி தலைமையில் செலான் வங்கியின் ஒட்டுமொத்தக் குழு வெளிப்படுத்திய மீள்தன்மை மற்றும் அர்ப்பணிப்பு உண்மையிலேயே குறிப்பிடத்தக்க தடைகளைத் தாண்டி, குறிப்பிடத்தக்க மைல்கற்களை எட்டுவதற்கு ளங்களை முன்னோக்கி நகர்த்திய கூட்டு முயற்சிகளை நான் மிகவும் பெருமையுடன் பாராட்டுகிறேன்.

வங்கியை சரியான பாதையில் வழிநடத்த எங்கள் இயக்குனர் சபை வழங்கிய வழிகாட்டல்கள் மற்றும் மூலோபாய பார்வைக்கு எனது நன்றிகளைத் தெரிவித்துக்கொள்கீறேன். இச்சவாலான காலகட்டத்தில் பங்குதாரர்கள், வாடிக்கையாளர்கள் மற்றும் ஏனைய பங்காளர்கள் வழங்கிய ஒத்துழைப்பிற்கும் அவர்களின் அர்ப்பணிபிற்கும் இத்தருணத்தில் நன்றிகளை கூறுகிறேன்.

இவ்வருடம் முழுவதும் இலங்கை மத்திய வங்கியின் அதிகாரிகள் வழங்கிய ஆதரவிற்கு எனது பாராட்டுக்களை தெரிவித்துக் கொள்கிறேன்.

உரைச்சுருக்கம்

பெரும்பாலான அம்சங்களில், குறிப்பிடத்தக்க முன்னேற்ற நிலையில் இவ்வாண்டை நிறைவு செய்தோம். நாங்கள் செயற்பாட்டில் . வலுவாக உள்ளதோடு வங்கிச் சேவைக்கு உரித்தான எதிர்கால அணுகுமுறையை எடுத்து வருகிறோம். எங்களிடம் வளர்ச்சி மனப்பான்மை, சரியான நிறுவன அமைப்பு மற்றும் திறமை ஆகியன உள்ளமை நீண்ட கால வெற்றிக்கான அடித்தளத்தை அளிக்கிறது. எங்களின் சாதனைகளில் பெருமிதம் கொள்ளும் அதே வேளை வரவிருக்கும் சவால்கள் தொடர்பாகவும் அவதானத்துடன் செயற்பட வேண்டும். ஒத்துழைக்கும் மனப்பான்மையும் சிறந்து விளங்குவதற்கான அர்ப்பணிப்பும் எங்களைத் தொடர்ந்து முன்னோக்கிச் செல்ல உதவுவதோடு வரும் ஆண்டுகளில் செலான் வங்கி ஸ்திரத்தன்மையில் சிறந்து விளங்குவதை உறுதிசெய்யும் என்று நான் நம்புகிறேன்.

X

ட**புள்யு. எம். ஆர். எஸ். டயஸ்** தலைவர்

20 பெப்ரவரி 2024

CORPORATE INFORMATION

Name Of Company

Seylan Bank PLC

Company Registration Number PQ 9

Registered Office And Head Office

"Seylan Towers" No.90, Galle Road, Colombo 03, Sri Lanka Tel : (94)-(11)-2456000 Fax : (94)-(11)-2456456 Swift : SEYBLKLX E-mail : info@seylan.lk Website : www.seylan.lk

Legal Form

A public limited liability company incorporated in Sri Lanka on 28 August 1987 under the Companies Act No.17 of 1982 and re-registered under the Companies Act No. 7 of 2007 on 30 May 2007. Commenced business operations as a Licensed Commercial Bank regulated under the Banking Act No.30 of 1988 (as amended) on 24 March 1988. Company was listed in the Colombo Stock Exchange on 5 January 1989.

Colombo Stock Exchange Listing

The Bank's Ordinary Voting Shares, Ordinary Non-Voting Shares and the Rated, Unsecured, Subordinated, Redeemable Debentures issued in the years 2018, 2019, 2021 and 2023 were listed on the Colombo Stock Exchange.

Accounting Year End

31 December

Credit Rating

The Bank has been assigned "A- (lka)/ outlook stable" National long term rating by Fitch Ratings Lanka Limited.

Board of Directors

Mr W M R S Dias Chairman/Non-Executive Director

Mr Ramesh Jayasekara Director/Chief Executive Officer

Mr S Viran Corea, PC Non-Executive Director

Ms Sandya K Salgado Senior Independent Director

Mr D M D Krishan Thilakaratne Non-Executive Director

Mr D M Rupasinghe Independent Director

Mr L H A Lakshman Silva Independent Director

Ms V G S Sunjeevani Kotakadeniya Non-Executive Director

Ms Averil A Ludowyke Independent Director

Company Secretary

Ms Saraswathie Poulraj LL.B (Honours), University of Colombo, LL.M (West London), MBA (University of Colombo), Attorney-at-Law

Auditors

M/s KPMG, Chartered Accountants

Subsidiary

Seylan Developments PLC (Company Registration No. PQ 151) Level 15, Seylan Towers 90, Galle Road, Colombo 03, Sri Lanka For any clarifications on this Report, please contact :

The Chief Financial Officer Seylan Bank PLC "Seylan Towers" 90, Galle Road Colombo 03 Sri Lanka

Email : champikad@seylan.lk Tel : 94-11-2456358 Fax :94-11-2452583

Notes			

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