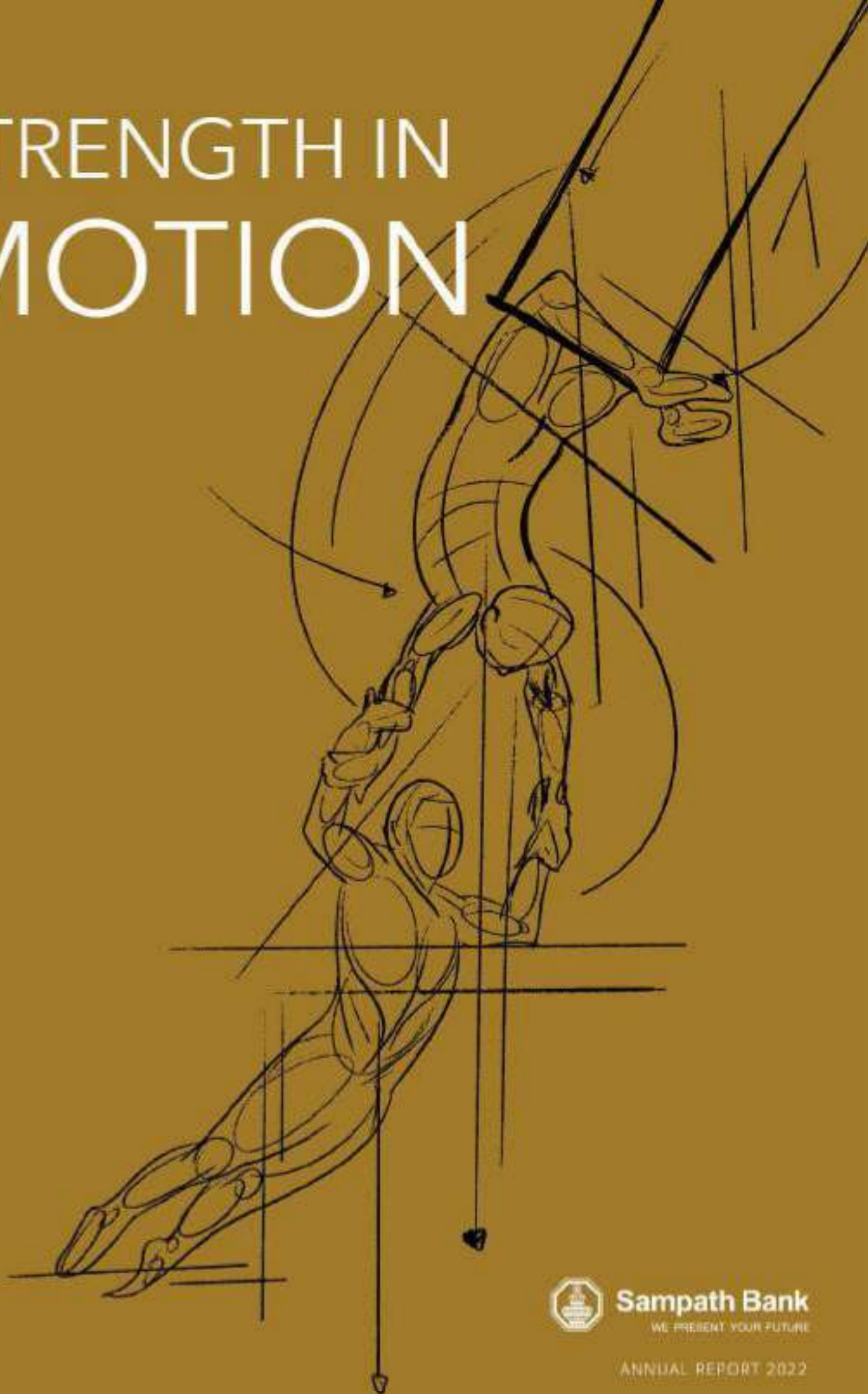


STRENGTH IN MOTION



Sampath Bank
WE PRESENT YOUR FUTURE

ANNUAL REPORT 2022



STRENGTH IN MOTION

True strength is derived through decades of experience, dedication, skill, and application — and over the years, Sampath Bank has continued to harness vast stores of knowledge that enable us to mitigate uncertainty and launch into the unknown. Our adoption of expert practices, sound risk management and flexible, agile thinking remain the underlying factors behind our continued stability and success.

The strong partnerships we have built over time empower us to advance against the challenges that lie ahead. In sharing our years of knowledge, insights, and capabilities among our valued stakeholders, we continue to be an entity that embodies trust, while ensuring continuity and progress in the years ahead. Our collective strength yields an abundance of courage and resilience that enables us to fulfil our aspirations and face the future.

Together, we represent strength in motion.

Trapeze artists utilise years of training and technical know-how to build flexibility and strength. The admirable levels of courage, precision and trust they display in their performances are a true testament to the value of partnership, knowledge and dedication exhibited at every stage of their journey. Their story is detailed in the pages that follow.



Sampath Bank

WE PRESENT YOUR FUTURE

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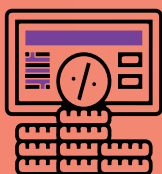


Chairman's Message



Page 34

Managing Director's Review



Financial Capital

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Manufactured Capital

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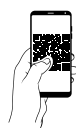


Intellectual Capital

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View this Annual Report Online
<https://www.sampath.lk/en/investor-relations/annual-reports>



View Highlights of this Annual Report in Video Form
<https://www.sampath.lk/common/AR2022/ar2022.mp4>

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Human Capital



Social and Relationship Capital



Natural Capital

ABOUT THE REPORT

► GRI 2-3,4

Report Profile

Sampath Bank PLC's 2022 Integrated Annual Report is intended to provide its stakeholders with a clear understanding of the Bank's value creation initiatives undertaken during the financial year 2022. Towards this end, the report covers the most relevant and material information of the Bank's business strategy and performance, and provides information about financial and non-financial performance for the financial year; 1st January 2022 to 31st December 2022.

This is the 9th Integrated Annual Report released by Sampath Bank PLC since the Bank began its integrated reporting journey in 2014. All previous integrated reports including the most recent report for the financial year 2021 are available for viewing and downloading on the corporate website - **www.sampath.lk**. There are no restatements pertaining to any of these previous reports.



Our Reporting Frameworks and Suite



Integrated Reporting

- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).



Sustainability Reporting

- Global Reporting Initiative (GRI) standards - 'In Accordance with the GRI Standards', issued by Global Sustainability Standards Board.
- Guidelines on Environmental, Social and Governance (ESG) Reporting issued by the Colombo Stock Exchange (CSE).
- United Nations Sustainable Development Goals (SDGs).
- Banking Act Direction No. 05 of 2022 on Sustainable Finance Activities of Licensed Banks.



Financial Reporting

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Companies Act No. 07 of 2007 and amendments thereto.
- Banking Act No. 30 of 1988 and amendments thereto.
- Listing Rules of the Colombo Stock Exchange (CSE).

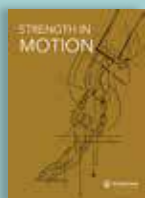


Governance, Compliance and Risk Reporting

- Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.
- 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.
- Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III and amendments thereto.
- Banking Act No. 30 of 1988 and amendments thereto.
- Companies Act No. 07 of 2007 and amendments thereto.
- Listing Rules of the Colombo Stock Exchange (CSE).

Scope and Boundary

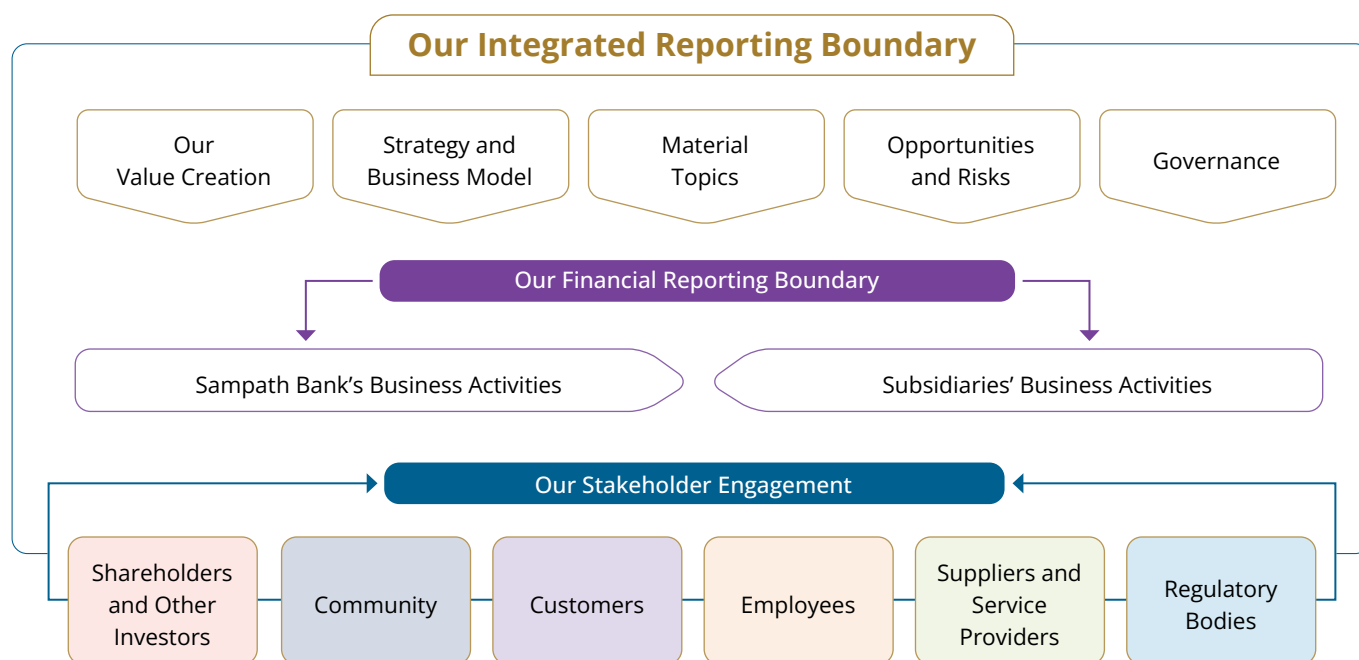
► GRI 3-1



The report boundary covers the core banking activities of Sampath Bank PLC, including the Consumer Banking and Corporate Banking pillars, the Global Business segment as well as our Treasury activities. The report showcases both financial and non-financial aspects of the Bank's performance, including value creation principles, strategy, business model, risk,

governance and sustainability initiatives along with a brief outline of the future prospects to inform stakeholders about the progress made during the year and the way forward. Information in this regard has been obtained through interviews with Corporate/Senior Management and from respective unit heads and further supported by inputs from other internal data sources and where relevant any external research reports. All such external sources have been quoted.

The report also includes financial information on the Sampath Group, which is supported by an overview of the performance of the 4 subsidiaries within the Group - Sampath Centre Limited, SC Securities (Pvt) Limited, Siyapatha Finance PLC and Sampath Information Technology Solutions Limited for the period under review.



Target Audience

This report is intended to meet the information requirements of the Bank's key stakeholders and potential future long term investors. It also aims to shed light on the Bank's various efforts to create value for employees, customers, investors, suppliers, regulators and the wider community.

Materiality

► GRI 3-1

The Bank accepts that the principle of Materiality (as defined by GRI) is a vital business tool that facilitates integrated thinking. Hence the materiality determination process has been used as the basis to determine the scope and scale of information to be included in this report.

The Materiality section on pages 58 to 61 describes how Material Topics are identified, assessed and incorporated in

the Bank's strategy in order to drive organisational value and deliver stakeholder expectations. In doing so, the Bank applies the precautionary principles to address the impact on society and the environment caused by its operations and to facilitate appropriate corrective action to mitigate any potential negative impacts. On this basis, a new Material Topic – 'Macroeconomic Headwinds' was identified in 2022 and incorporated into the current report content.

ABOUT THE REPORT

Governance and Risk Management

Sampath Bank's integrated approach to governance and risk management is reflected throughout the report, while a more detailed account of the Bank's governance and risk management infrastructure and activities for 2022 are captured through the Corporate Governance Report (pages 168 to 181 and 432 to 466) and respective Board Sub-Committee Reports (pages 190 to 202) and the Risk Management Report on pages 204 to 217.

Sustainability and ESG Reporting

Since commencing its sustainability reporting journey over a decade ago, the Bank has made some notable strides in advancing its reporting frameworks to demonstrate greater transparency in the disclosure of non-financial information.

Keen to benchmark reporting best practices, the Bank has been reporting on its contribution to the United Nations (UN) Sustainable Development Goals (SDGs) to showcase the commitment to prioritise Environmental, Social, Governance (ESG) aspects alongside the core business activities in the day-to-day operations of the Bank.



2011

Stand-alone Report
GRI 3.1 Level B
External Assurance
Provided



2012

Incorporated in
Annual Report
GRI 3.1 Level B
External Assurance
Provided



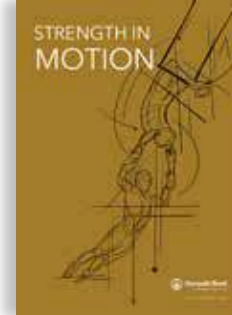
2013

Stand-alone Report
GRI G4 -
Comprehensive
External Assurance
Provided



2014 - 2016

Integrated Report
GRI G4 -
Comprehensive
External Assurance
Provided



2022

Integrated Report
In Accordance with the GRI Standards
External Assurance Provided



2017 - 2021

Integrated Report
GRI Standards -
Comprehensive
External Assurance
Provided

Reporting Best Practices Implemented in the Financial Year 2022 Integrated Annual Report

- Early adoption of GRI new standards.
- External Assurance from Messrs Ernst and Young, Chartered Accountants to validate adherence with the International Integrated Reporting Council (IIRC) <IR> Integrated Reporting Framework.
- Compliance with the reporting requirements of the Banking Act Direction No. 05 of 2022 on Sustainable Finance Activities of Licensed Banks (discussed under Our Approach Towards Sustainability on pages 48 to 55).

Value Creation

Value creation remains the axis on which the Bank's strategy and operational architecture revolves on. The Business Model presented on pages 56 and 57 describes the linkages between the various value creation components and their collective contribution towards generating positive stakeholder outcomes.

Combined Assurance

► GRI 2-5

The information captured in the report has been obtained from various sources within the Bank. All content disclosed herein has been first verified for completeness, balance, comparability, accuracy, reliability, timeliness and clarity in line with Sampath Bank's general disclosure policies. This is done using a combination of internal controls, management assurance and routine due diligence activities.

The mandatory independent review of the financial statements has been provided by external auditors - Messrs Ernst and Young, Chartered Accountants. Their opinion is given in pages 239 to 242.

The Bank has appointed Messrs Ernst and Young, Chartered Accountants to provide independent assurance reports in the following areas as well;

- Independent assurance statement with regard to Sampath Bank's adherence to the GRI Standards (pages 506 and 507).
- Independent assurance statement with regard to Sampath Bank's adherence to the International Integrated Reporting Framework (pages 503 to 505).
- Independent assurance statement on the Directors' Statement on Internal Control over Financial Reporting (page 234).

Forward-Looking Statements

This report includes forward-looking statements, which relate to the possible future financial position and results of the Bank's operations. These statements by their very nature involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future.

Disclaimer - Sampath Bank PLC considers all such forward-looking statements to be applicable only as at the date of publication of this Integrated Annual Report and as such does not accept any obligation to revise or in any way update information expressed in such forward-looking statements.

Board Responsibility Statement

The Sampath Bank PLC Board of Directors acknowledges its responsibility for ensuring the integrity of this integrated report and considers the preparation and presentation of the report to be in accordance with the International <IR> Framework. Thereby the Board confirms that the Report;

- Offers a balanced view of Sampath Bank's strategy and how it relates to the Bank's ability to create value in the short, medium and long-term.
- Addresses all matters material to stakeholders by incorporating such matters into the strategic decision making process in order to create value over time.
- Explains the optimal use of the six capitals and how their availability has impacted our strategy and business model.

How to Navigate through this Report

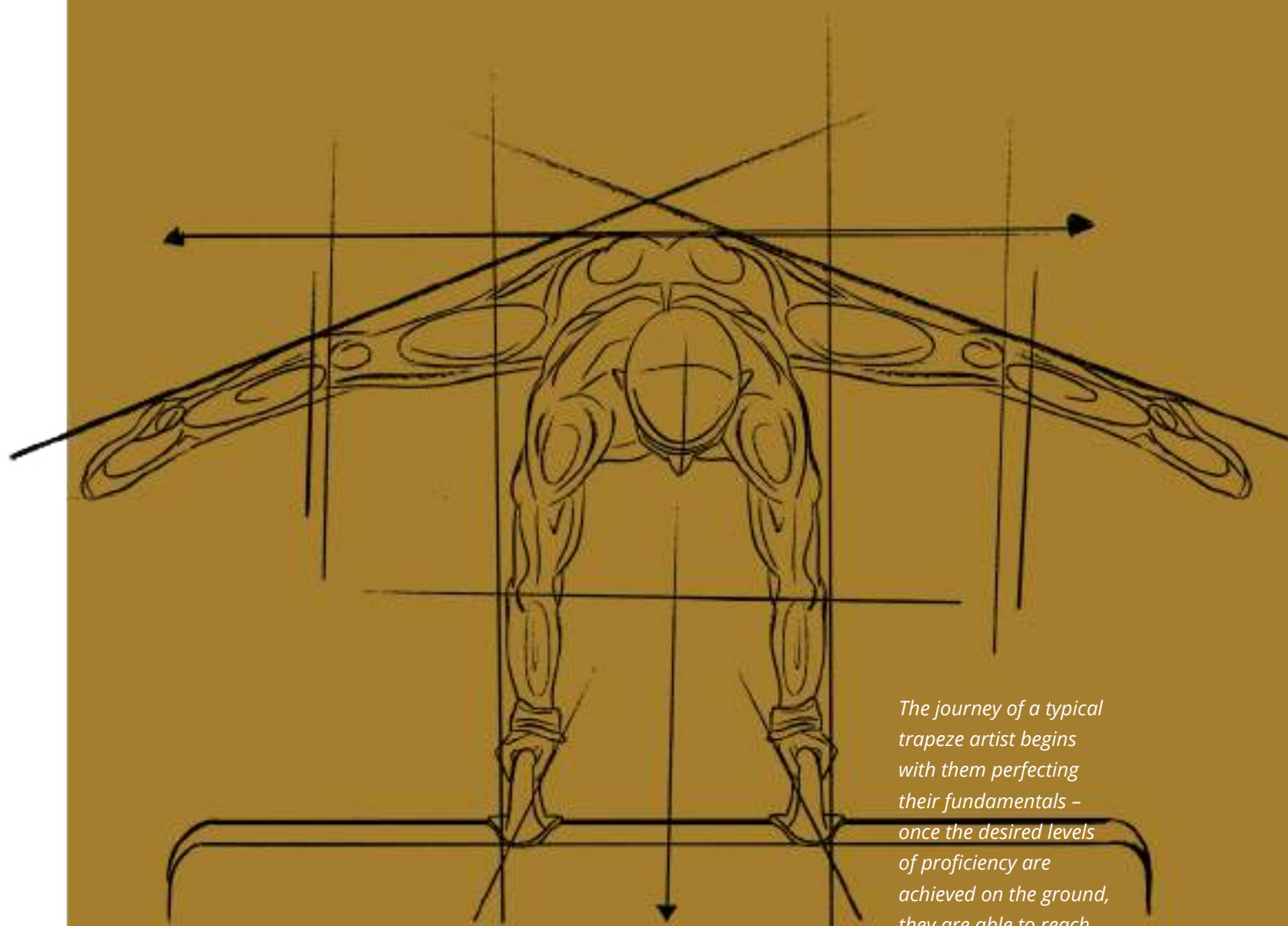
Matters of Interest to Stakeholders	Where to Find it in This Report	Page Reference
How we bring our vision to life	Strategy and Business Model	56 - 57
Our leaders' views	Chairman's Message Managing Director's Review	30 - 33 34 - 41
Delivering on our strategy	Capital Management Reports Business Reports	79 - 147 148 - 163
How our business is governed and managed	Corporate Governance Report Compliance Report Risk Management Report	168 - 181 / 432 - 466 203 204 - 217
Measuring our success	Financial Information	219 - 409

 Financial Capital Pages 79 - 84	 Manufactured Capital Pages 85 - 93	 Intellectual Capital Pages 94 - 100
 Human Capital Pages 101 - 113	 Social and Relationship Capital Pages 114 - 131	 Natural Capital Pages 132 - 147

Feedback

► GRI 2-3,25

The Bank welcomes feedback and queries regarding this report and encourages readers to use the Feedback Form on pages 517 and 518 to submit their comments regarding the Bank's Integrated Annual Report 2022.



The journey of a typical trapeze artist begins with them perfecting their fundamentals – once the desired levels of proficiency are achieved on the ground, they are able to reach new heights.

FUNDAMENTALS IN POSITION

ABOUT

Since inception, we refined and honed our skills to create a solid foundation; setting the stage upon which we would build our progress in the years ahead.

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ABOUT THE BANK

► GRI 2-1,6

Sampath Bank PLC is one of the leading private banks in Sri Lanka offering the full gamut of modern banking products and services for Corporates, SMEs (Small and Medium-sized Enterprises) and Retail customers. The principal activities of the Bank include, accepting deposits, corporate and retail lending, project financing, trade financing, treasury and investment services, issuance of local and international credit and debit cards, offshore banking, resident and non-resident foreign currency operations, electronic banking services such as telephone banking, internet banking, mobile banking, payment gateway facilities, inward and outward remittance facilities, pawning, gold loans, leasing, factoring, travel related services and dealing in government securities etc.

Industry Standing

Sampath Bank's island-wide network of 229 branches is the third largest among private banks in Sri Lanka. The Bank also holds the distinct honour of having the country's largest agent banking network and takes pride in its industry-leading digital footprint. These physical and digital touch-points collectively serve 3.3 Mn+ individuals and businesses around the country.

Sampath Bank stands as the third largest private bank in the country in terms of assets and lending. The Bank's total assets as at 31st December 2022 reached Rs 1.3 Tn, with asset growth for the period of 2017 - 2022 showing a CAGR (Compound Annual Growth Rate) of 10.7% compared to the industry CAGR of 13.5% for the same period.

The Bank's loans and advances portfolio indicates a CAGR of 10.0% for the period of 2017 - 2022, compared to the industry CAGR of 12.0%. Available data for financial year (FY) 2022 suggests that Sampath Bank accounted for approximately 8.1% of the Banking Sector loans and advances.

The Bank's loans to deposits ratio has been over 83% for the past five consecutive years, underscoring a solid balance between assets and liabilities. Having always prioritised CASA (Current Accounts and Savings Accounts) growth, the Bank has succeeded in maintaining its CASA ratio at an average of 37%+ over the past five years, well above the industry trend for the same period.

The Sampath Bank share was one of the most robustly traded among immediate peers and reached the highest trading price of Rs 56.50 in January 2022. The closing price of the Sampath Bank share as at 31st December 2022 was Rs 34.20 resulting in market capitalisation of Rs 39 Bn, the second highest recorded in the banking sector for 2022.

With 3,948 employees, Sampath Bank is also one of the largest employers in the local banking sector.

229

Branches

363

Automated Teller
Machines (ATM)

360

Cash Deposit
Machines (CDM)

98

Cash Recycler
Machines (CRM)

1,338

eZ Agent Banking
Network

19

Digital Banking
Centres

25+

Digital Banking
Solutions

37

Nostro Accounts

609

Correspondent
Banks

121

Exchange
Companies

3,948

Employees

3.4 Mn⁺

Total Customers

3.3 Mn⁺

Retail Customers

11,000⁺

SMEs

60,000⁺

Corporates

Millions of
Foreign Currency
Remitters

Unbanked/
Underbanked
Communities

Origin Story

Sampath Bank was incorporated on 10th March 1986 under the Companies Act No. 17 of 1982 and commenced operations following the receipt of the certificate to commence business on 2nd April 1986. The Bank obtained a listing on the Colombo Stock Exchange in 1987 and was registered

as a Licensed Commercial Bank under the Banking Act No. 30 of 1988. The Bank was re-registered on 28th April 2008 under the Companies Act No. 7 of 2007. Sampath Bank Head Office has been located at No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka.

Capital and Liquidity

Prudent capital planning strategies ensured Sampath Bank's Tier I Capital Ratio and Total Capital Ratio stood at 11.92% and 14.27% respectively as at 31st December 2022, comfortably above the regulatory minimum ratios of 8.5% and 12.5% respectively.

At the same time, the Statutory Liquid Assets Ratio (SLAR) remained above the minimum requirement of 20%. Both Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were also above the minimum requirements throughout FY 2022.

Investor Information

The top 5 shareholders of the Bank as at 31st December 2022, comprised both institutional investors and individuals, namely Vallibel One PLC, Ayenka Holdings Private Limited, Employees' Provident Fund, Mr Y.S.H.I. Silva and Rosewood (Pvt) Limited, with shareholdings of 14.95%, 9.97%, 9.97%, 8.20% and 4.51% respectively from the total issued shares of 1,144,373,955 as at the said date.

The Board of Directors of Sampath Bank has recommended a final dividend of Rs 4.60 per share (cash: Rs 3.45 and scrip: Rs 1.15) for the FY ended 31st December 2022 subject to the approval of the shareholders at the Annual General Meeting to be held on 30th March 2023. The dividend payout ratio for FY 2022 stood at 40.1% (2021: 39.0%).

Group Overview

The Sampath Bank Group comprises the Bank and its four fully-owned subsidiaries - Sampath Centre Ltd set up in 1996 as a company offering rentable commercial spaces, SC Securities (Pvt) Limited incorporated in 1992 as a stock broking company in Sri Lanka, Siyapatha Finance PLC established in 2005 as a financial services institution and the most recent

addition to the Group Sampath Information Technology Solutions Ltd incorporated in 2006 as a dedicated software development and IT solutions provider for corporates.

The four subsidiaries collectively contribute on average 4.1% to the annual group revenue.

Industry Transformation

Since opening its doors to the public, Sampath Bank has been credited with many firsts that have often been responsible for elevating the local banking sector on par with global standards.

1988

The first bank in Sri Lanka to operate a multi-point network of ATMs.

1989

Introduced the Uni-banking system to Sri Lanka for the first time.

1997

Pioneering launch of the DEBIT CARD in association with CIRRUS and MAESTRO - a first in South Asia.

2003

The first bank in Sri Lanka to offer "one day clearing" for all cheques drawn on any Sampath Bank branch.

2011

The first bank in Sri Lanka to introduce 365-day banking at Super Branches.

2013

Pioneered the "Cardless Cash ATM" to Sri Lanka.

2016

First bank in Sri Lanka to launch Visa PayWave enabled cards.

2018

Launch of "Slip-less Banking" for the first time in Sri Lanka.

2021

Pioneered "Touchless Cash Withdrawals" from ATMs for the first time in Sri Lanka.

ABOUT THE BANK

8.12%

(2021: 7.58%)

Market Share -
Loans and Advances**7.21%**

(2021: 7.60%)

Market Share - Deposits

5.66%

(Industry: 4.00%)

Net Interest
Margin (NIM)**1.16%**

(Industry: 1.0%)

Return on Assets
before tax (ROA)**14.27%**

(2021: 17.02%)

Total Capital Adequacy
Ratio (CAR)**27.85%**

(2021: 32.62%)

Statutory Liquid
Assets Ratio (SLAR)**4.35%**

(Industry: 6.5%)

Impaired Loans
(Stage 3) Ratio

Sampath Bank PLC

Key Facts 2022



Our Vision

The Growing Force in Sri Lankan Financial Services

Rs 34.20

(2021: Rs 52.10)

Market Price per
Share**Rs 39.1 Bn**

(2021: Rs 59.6 Bn)

Market
Capitalisation**13.45%**

(2021: 8.16%)

Dividend Yield

Fitch Rating:Current: National Long-Term
Rating of 'A(Ika)/Rating Watch
Negative'[31st December 2022: 'AA-
(Ika)/Rating Watch Negative']**0.31**

(2021: 0.50)

Price to Book Value

10.95%

(Industry: 10.5%)

Return on Equity
after tax (ROE)**Rs 110.44**

(2021: Rs 103.77)

Net Asset Value Per
Share

Our Values

- Create a learning culture that promotes individual and organisational development as well as promoting innovation and value for customers.
- Treat all internal and external customers the way we would like to be treated.
- Encourage and promote teamwork in all aspects of behaviour.
- Open to feedback and demonstrate an eagerness for personal development.
- Monitor and demonstrate an impressive commitment to results.
- Uncompromising ethical and professional standards of behaviour.

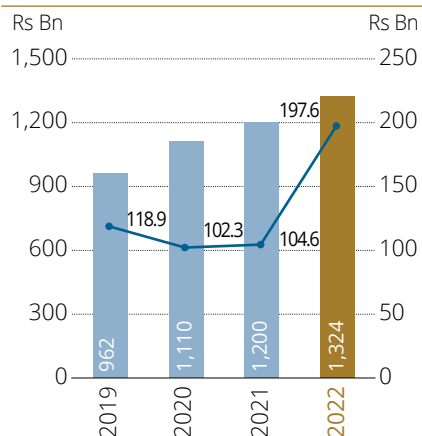
FINANCIAL HIGHLIGHTS

[GRI 2-6](#)

	Bank			Group		
	2022	2021	Change %	2022	2021	Change %
Profitability (Rs Mn)						
Gross income	197,571	104,570	88.9	206,002	113,075	82.2
Total operating income	110,954	58,488	89.7	114,768	64,399	78.2
Impairment charge	62,706	17,085	267.0	62,908	18,559	239.0
Operating expenses	28,048	20,668	35.7	29,888	22,719	31.6
Operating profit before taxes on financial services	20,200	20,735	(2.6)	21,971	23,121	(5.0)
Taxes on financial services	5,176	3,901	32.7	5,577	4,296	29.8
Profit before income tax	15,024	16,834	(10.8)	16,395	18,825	(12.9)
Income tax expense	1,890	4,376	(56.8)	2,334	4,969	(53.0)
Profit for the year	13,134	12,457	5.4	14,061	13,856	1.5
Assets and Liabilities (Rs Mn)						
Deposits from banks and customers	1,103,213	978,368	12.8	1,122,269	994,740	12.8
Gross loans and advances	920,122	813,106	13.2	953,090	850,570	12.1
Total equity	126,380	118,752	6.4	135,551	127,186	6.6
Total liabilities	1,198,046	1,081,162	10.8	1,231,768	1,115,447	10.4
Total assets	1,324,426	1,199,913	10.4	1,367,320	1,242,633	10.0
Investor Information						
Net asset value per share (Rs)	110.44	103.77	6.4	118.45	111.14	6.6
Market price per share (Rs)	34.20	52.10	(34.4)			
Earnings per share - Basic/Diluted (Rs)	11.48	10.89	5.4	12.29	12.11	1.5
Total dividend per share (Rs)	4.60	4.25	8.2			
Cash dividend per share (Rs)	3.45	4.25	(18.8)			
Dividend cover (times)	2.50	2.56	(2.3)			
Dividend payout ratio (%)	40.08	39.04	2.7			
Gross dividend (Rs Mn)	5,264	4,864	8.2			
Market capitalisation (Rs Mn)	39,138	59,622	(34.4)			
Other Ratios						
Return on average assets (before tax) (%)	1.16	1.44	(19.4)	1.23	1.56	(21.2)
Dividend yield (%)	13.45	8.16	64.8			
Earnings yield (%)	33.57	20.90	60.6	35.94	23.24	54.6
Price earning ratio (times)	2.98	4.78	(37.7)	2.78	4.30	(35.3)
Price to book value (times)	0.31	0.50	(38.0)	0.29	0.47	(38.3)
Total impairment on loans as a % of gross loans and advances	11.84	6.21	90.7	11.87	6.44	84.3
Stage 3 impairment to Stage 3 loans ratio (%)	53.84	45.45	18.5			
Impaired loans (Stage 3) ratio (%)	4.35	3.20	35.9			
Cost of risk (%)	5.97	1.61	270.8	5.82	1.72	238.4
Cost to income ratio (excluding taxes on financial services) (%)	25.28	35.34	(28.5)	26.04	35.28	(26.2)
CASA ratio (%)	32.7	45.7	(28.4)	32.1	44.9	(28.5)
Loans to deposits ratio (%)	83.40	83.11	0.3	84.93	85.51	(0.7)
Leverage ratio (%)	7.00	7.80	(10.3)	7.29	8.08	(9.8)
Liquid assets ratio - Overall Bank (%)	27.85	32.62	(14.6)			
Liquidity coverage ratio						
- Rupee (%)	200.78	254.89	(21.2)			
- All currency (%)	146.53	213.43	(31.3)			
Net stable funding ratio (%)	157.10	149.92	4.8			
Fitch Rating						
- Current	A(lka)/RWN	AA-(lka)				
- 31st December 2022	AA-(lka)/RWN	(Stable)				

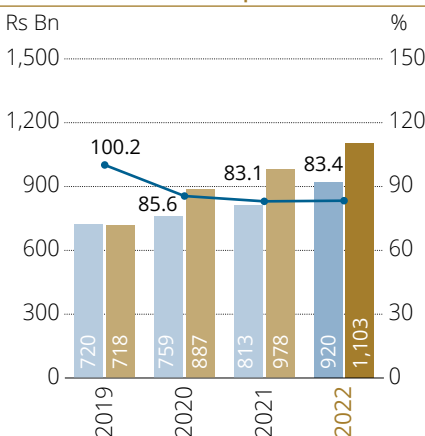
Key Performance Indicators - Bank		Goal	2022	2021	2020	2019	2018
Return on average assets (after tax) (%)	Over 1.00		1.01	1.07	0.78	1.20	1.41
Return on average equity (after tax) (%)	Over 16.00		10.95	11.05	7.58	11.78	16.02
Growth in profit (%)	Over 15.00		5.43	55.23	(28.03)	(8.17)	0.32
Growth in total assets (%)	Over 15.00		10.38	8.07	15.37	5.26	14.98
Capital adequacy ratios (Basel III)							
- Common equity Tier I (%)	2% buffer over the regulatory minimum requirement		11.92	13.95	13.44	14.22	12.08
- Total Tier I (%)			11.92	13.95	13.44	14.22	12.08
- Total capital (Tier I + Tier II) (%)			14.27	17.02	16.41	18.12	15.73

Total Assets & Gross Income



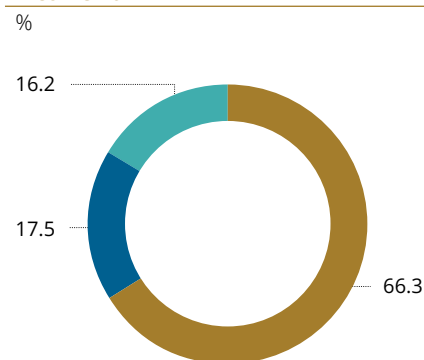
■ Total Assets
◆ Gross Income (RHS)

Total Loans & Total Deposits



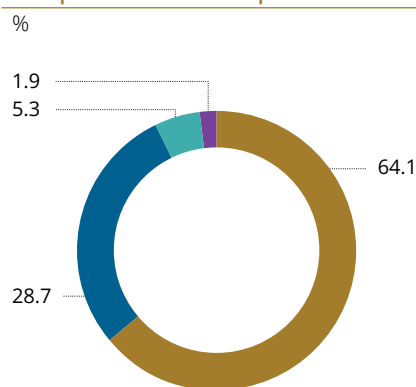
■ Total Loans - Gross
■ Total Deposits
◆ Loans to Deposits Ratio (RHS)

Composition of Total Operating Income 2022



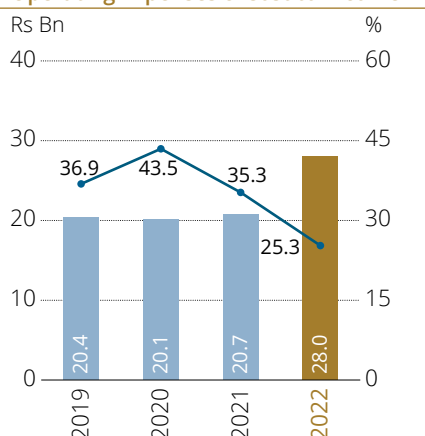
■ Net Interest Income
■ Net Fee & Commission Income
■ Trading, Investment & Other

Composition of Total Expenses 2022



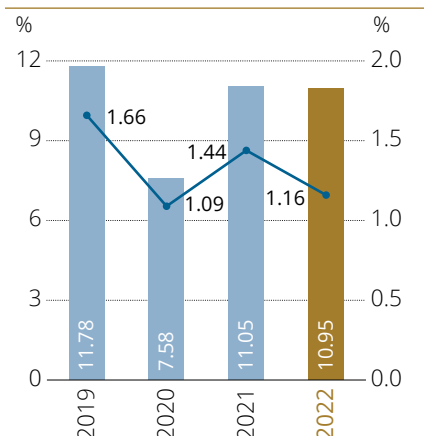
■ Impairment Charge
■ Operating Expenses
■ Taxes on Financial Services
■ Income Tax Expense

Operating Expenses & Cost to Income



■ Operating Expenses
◆ Cost to Income (RHS)

ROE & ROA



■ ROE (after income tax)
◆ ROA (before income tax) (RHS)



Rs 13.1 Bn
2022

Rs 12.5 Bn 2021
Profit After Tax

5.4%



Rs 73.5 Bn
2022

Rs 41.7 Bn 2021
Net Interest Income

76.4%



Rs 110.44
2022

Rs 103.77 2021
Net Asset Value Per Share

6.4%

NON-FINANCIAL HIGHLIGHTS

► GRI 2-6

Manufactured Capital



Key Indicator	Measurement	2022	2021	2020
Investment in property, plant and equipment	Rs Mn	887	466	478
Digital Banking Centres	Number	19	5	5
eZ Banking/MyBank Agents	Number	1,338	206	203
Branches outside Western province	Number	129	129	129

Intellectual Capital



Key Indicator	Measurement	2022	2021	2020
Investment in IT software development	Rs Mn	310	182	199
Rank of "Most Loved Brands" - LMD Brands Annual	Rank	11	7	10

Social and Relationship Capital



Key Indicator	Measurement	2022	2021	2020
Beneficiaries of "Sampath Saviya" and other entrepreneurship development programmes	Number	4,067	2,263	672
Beneficiaries from the "Wewata Jeewayak" programme	Number	4,370	4,372	1,640
Intern and industrial placements intake	Number	833	503	481
Interest on customer deposits	Rs Bn	73.7	38.3	47.4



Human
Capital

Key Indicator	Measurement	2022	2021	2020
Total employees	Number	3,948	4,013	4,048
Total training hours	Hours	124,304	153,282	172,900
Average training hours per employee	Hours	31.5	38.2	42.7
Internal staff promotions	Number	197	242	154
Staff retention ratio	%	96	98	99
Return to work after maternity leave	%	100	100	100
Industrial disputes	Number	Nil	Nil	Nil
Percentage of employees receiving performance appraisals	%	100	100	100
Female representation in corporate management	%	21	21	21
Gender diversity ratio (Male : Female)	Ratio	65 : 35	66 : 34	66 : 34
Gross Income per employee	Rs Mn	50.0	26.1	25.3
Profit per employee	Rs Mn	3.33	3.10	1.98

Natural Capital



Key Indicator	Measurement	2022	2021	2020
Carbon footprint of the Bank	tCO ₂ e	11,645	9,263	9,138
Electricity saving through solar power generation	kWh	348,775	340,701	251,908
Financing of renewable energy projects	Rs Mn	5,576	4,550	1,358
Energy intensity ratio (Head Office)	kWh	2,122	2,506	2,678
Trees planted through Environmental CSR programmes	Number	15,367	3,691	9,000
Trees saved through paper recycling	Number	649	871	885
Trees saved through transactions done via Cash Deposit Machines and Slipless Banking	Number	536	639	427

ESG SCORECARD

ESG



ESG
Scorecard

ENVIRONMENTAL



- Launched “A Breath to the Ocean” oceanic eco-system restoration programme
- **15,367** trees planted through Environmental CSR programme
- **95%** digitally performed customer transactions
- **28.11 MW** contribution to the national grid through renewable energy projects financed by the Bank

SOCIAL



- **Rs 15.9 Mn** investment in “Wewata Jeewayak” tank restoration programme
- **7,440** beneficiaries from “Hope for a Life” health sector facilitation programme
- **Rs 211 Mn** Sanhinda Saver free medical benefits provided
- **Rs 288.4 Mn** loyalty points offered to Sampath credit cardholders

GOVERNANCE



- **Rs 14.9 Bn** taxes paid
- Strong skill diversity at Board level to drive the Bank's strategy
- **ISO 27001:2013** standard obtained for Information Security
- **1,146** staff trained on Information Security topics

KEY EVENTS 2022

January

Sampath Bank in partnership with Paycorp International (Private) Limited, a wholly-owned subsidiary of Bancstac (Paycorp International), became the first local bank to enable businesses to automatically generate dynamic merchant LankaQR codes through the Sampath Bank Payment Gateway.

The Bank formed a strategic partnership with the Sri Lanka's National Chamber of Exporters as part of a more focused effort to help its export customers more visibility in the global marketplace.



February

Introduction of Video conferencing consoles at all newly established digital centers to enable digital on-boarding of customers.



March

Sampath Bank tied up with Indian Exim Bank to become the first local bank to secure a Trade Assistance Programme under the USD 1 Bn Indian credit line offered by the Government of India.

April

Sampath Bank undertook 4 new projects under the "Wewata Jeewayak" Tank restoration programme - the highest number of projects in a given year.



June

Mr Hiran Cabraal, a veteran international banker and risk management consultant was appointed as an Independent, Non-Executive Director to the Sampath Bank Board on 30th June 2022.



Launch of the e-remittance scheme in partnership with a number of leading global Fin-techs.

July

Introduction of the green PIN - a digitised ATM pin delivery mechanism to replace the traditional printed PIN slip for ATM cards.

Sampath Bank formed a historic partnership with Dialog Axiata PLC to launch a network 1,300+ 'eZ Banking' agents.



September

Roll out of the "Pohosath Minissu" brand positioning campaign to convey Sampath Bank's deep appreciation of time honoured Sri Lankan traditions.



PRODUCT PORTFOLIO

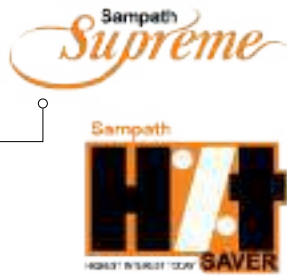


Consumer Banking

► GRI 2-6

Current Accounts

- > Sampath General Current Account
- > Sampath Supreme Current Account
- > Sampath Payment Guaranteed Cheques



Savings Accounts

- > Regular Savings

- > Sampath Double S

- > Sampath Hit Saver

- > Children's Savings

- > Sampath Pubudu and Sapiri

- > Teenage Savings

- > X-SET

- > Ladies Savings

- > Ladies 1st

- > Senior Citizens' Savings

- > Sampath Sanhinda Saver

- > Money Market Accounts

- > Investment Accounts

- > Sampath Dream Planner



Leasing

- > Sampath Leasing



Pawning

- > Sampath Randiriya
- > Gold Loan



Accounts for Professionals

- > Sampath Professional Account



Agent Banking

- > eZ Banking



Term Deposit Accounts

- > Regular Deposits
 - > Fixed Deposits
 - > Certificate of Deposits
- > Flexible Deposits
 - > Sampath ODFD
- > Senior Citizens' Deposits
 - > Sampath Sanhinda FD

Foreign Currency
Accounts

- > Personal Foreign Currency Accounts (PFCA) 
- > Business Foreign Currency Accounts (BFCA) 
- > Inward Investment Accounts (IIA) 
- > Outward Investment Accounts (OIA) 
- > Sampath EXPAT Accounts (SEA) 
- > Sampath Special Deposit Accounts 
- > Sampath FC Prime Accounts 

Loans

- > Housing Loans
 - > Sevana Housing Loan
 - > Sevana Dayada Housing Loan
 - > Foreign Currency Housing Loan
- > Business Loans
 - > Sampath Saviliya
 - > Factoring Facility
 - > Sampath Soorya Loan Facility
- > Personal Loans
 - > Sampath Study Smart
 - > Sampath Samachara Loan
- > Special Loans for Government Medical Officers
- > ODFD
- > Sampath Soorya Loan Facility

Gift Vouchers

- > Sampath Thilina



SampathCards

- > Sampath Credit Cards
 - > Sampath Visa Credit Cards
 - > Sampath Mastercard Credit Cards
 - > Sampath Bank American Express® Credit Cards
- > Sampath Debit Cards
- > Sampath Web Card



Relationship Banking

- > Platinum Plus



Priority Banking

Foreign Remittances

- > e-Remittances



- > Sampath RemitWise



PRODUCT PORTFOLIO

► GRI 2-6

Digital/Electronic Banking

> Internet Banking

- > Sampath Vishwa Retail
- > Digital On-boarding
- > PayEasy
- > Chatbot



> Mobile Banking

- > Sampath WePay
- > Sampath Bank App
- > Sampath Slipless Banking
- > Sampath Missed Call Banking
- > Telebanking
- > SMS Alertz
- > SMS Banking
- > Mobile Cash

> ATM Banking

- > Sampath Cardless Cash



- > Touchless Cash Withdrawal Facility
- > Off-site ATMs
- > Interbank ATM Network
- > Cash Deposit Kiosk
- > Cheque Deposit Machines
- > Virtual Teller Machines
- > Cash Recycler Machines



Safety Lockers

- > Sampath Safe Deposit Lockers



Clubs and Societies Accounts

- > Sampath Samaja



Entrepreneurship Development

- > Sampath Saviya



Corporate Banking

Financing

- > Corporate Credit
- > Corporate Finance
- > Foreign Currency Banking Unit (FCBU)

International Trade

- > Trade Services
- > Correspondent Banks

Digital Banking

- > Sampath Vishwa Corporate
- > Payment Gateway Services
- > E-commerce enabled through Evolve
- > Open Banking
- > QR Merchant
- > Biller Sharing



Sampath Corporate Credit Cards

- > Sampath Visa Corporate Credit Card
- > Sampath Mastercard Corporate Credit Card
- > Sampath Visa Corporate Fuel Card

Cash Management

- > Corporate Cash Management Solution

Corporate Investments

- > Money Market Account

Sampath Business Debit Card

- > Sampath Visa Business Debit Card

- > Treasury Bills
- > Treasury Bonds
- > Repo and Reverse Repo
- > Spot Contracts

Treasury



- > Forward Exchange Contracts
- > Sri Lanka Development Bonds
- > Sri Lanka International Sovereign Bonds

New Offerings

> eZ Banking

The 'eZ Banking' service is a unique concept introduced by Sampath Bank in partnership with Dialog Axiata PLC to enable Sampath Bank customers to safely and securely make deposits to their Savings and Current accounts, and make withdrawals from their Savings accounts without having to visit the branch. With a network of 1300+ 'eZ Banking' agents island-wide, Sampath Bank customers across Sri Lanka can now experience the convenience of attending to their basic banking needs in their own neighbourhood and enjoy the benefits of extended banking hours, all while saving time and money that would otherwise have been spent on visiting a branch.



KEY HISTORICAL MILESTONES

1986 •

- Originally incorporated as Investment & Credit Bank Ltd.



1987 •

- Appointment of Mr N U Jayawardane as the Chairman of the Bank and Mr Janaka de Silva as the General Manager.
- Registered office established at No. 55, D R Wijewardena Mawatha, Colombo 10, Sri Lanka, followed by the ceremonial commencement of business on 15th May 1987.
- Launched the 'cheque guarantee card' (later renamed as 'payment guaranteed cheque').
- Introduced extended banking hours until 3.00 p.m. for the first time in Sri Lanka's banking history.



1988 •

- Launched the ATM (SET) facility.
- First bank in Sri Lanka to operate a multi-point network of Automated Teller Machines (ATM).



1989 •

- Launched Mastercard to Sri Lanka (under license from Mastercard International Incorporated in USA).
- Launched the concept of Personal Banking Unit (PBU).
- Pioneered launch of the Uni-Banking System to Sri Lanka.
- Pioneered launch of Sri Lanka's first-ever standalone ATM at Liberty Plaza shopping complex.

Sampath Bank is known for many firsts that have helped raise the bar in the local banking sector.

1999 •

- Commissioned a new core banking system - Bancs2000.
- Ranked among the 300 Best Small Companies in the World by the Forbes Global magazine.



2000 •

- Declared "Bank of the year in Sri Lanka" by the London-based "The Banker" magazine.
- Launched "Sampathnet" internet banking facility (later rebranded as 'Sampath Vishwa').
- Pioneered launch of "Call Bank", mobile banking service in partnership with Dialog GSM.

2001 •

- Commenced operations of SC Securities (Pvt) Ltd, a subsidiary of Sampath Bank.
- The first Sri Lankan organisation to achieve the "Quality Approved Status" of best practice, awarded by the Chartered Institute of Management Accountants.
- Introduced the first Dedicated Savings Unit at the Sampath City Branch which was kept open for savings operations till 6.00 pm.



2002 •

- Pioneered launch of Visa Platinum Credit Cards to Sri Lanka.
- Appointed as the primary settlement bank for US Dollar cheque clearing system in Sri Lanka.

2003 •

- Sampath Bank footprint expands with ten new branches opened during the year.
- First bank in Sri Lanka to introduce "One day clearing".

1994 •

- Sampath Bank becomes one of the first local banks to join the SWIFT network.

1996 •

- Commenced operations of Sampath Centre Ltd, a subsidiary of Sampath Bank.
- Launched the TELEBANKING facility.
- Voted the Bank as the “Best Commercial Bank in Sri Lanka for the year 1996” by Asiamoney magazine.



1997 •

- Headquarters relocated to No. 110, Sir James Peiris Mawatha, Colombo 02.
- Launched the Debit Card in association with CIRRUS and MAESTRO, signifying another first in South Asia.
- Awarded “The Best Small-Cap Bank in South Asia” by Asia Banking Digest.
- Declared the “Best Commercial Bank in Sri Lanka for the year 1997” by Asiamoney magazine for the second consecutive year.



1998 •

- Declared the “Best Commercial Bank in Sri Lanka for the year 1998” by Asiamoney magazine for the third consecutive year.
- Declared “Outstanding New Business Venture Project in 1998” by Asian Banking Digest magazine.
- Launched phase 1 of the Bank’s digitalisation strategy via a massive IT systems re-engineering project designed to strengthen product development and diversification capabilities.

Sampath Bank’s evolution over the years has been inspired by the thought of bringing prosperity to all Sri Lankans.

2004 •

- Pioneered launch of Sri Lanka’s first ever Cheque Imaging & Truncating (CIT) site.
- Awarded A+ (Sri) National Rating by Fitch Ratings (Lanka) Limited.



2005 •

- Commenced operations at Sampath Leasing & Factoring Ltd. (later rebranded as ‘Siyapatha Finance PLC’), a fully-owned subsidiary of Sampath Bank.

2006 •

- Commenced operations at Sampath Information Technology Solutions Ltd, a fully-owned subsidiary of Sampath Bank.
- Sampath Bank footprint grows further with 13 branches (3 Branches and 10 Personal Banking Centres) opened.

2007 •

- ATM network reaches 150 machines across the island.
- Launch of VISA Mini Debit Card, a first in South Asia.
- 100th Branch opened in Kandy.



KEY HISTORICAL MILESTONES

2008 •

- Sampath Bank's deposit base exceeds the Rs 100 Bn mark.

2009 •

- Sampath Bank becomes the third largest private sector bank in Sri Lanka in terms of total assets.
- Declared "Bank of the Year 2009 - Sri Lanka" by the London-based 'The Banker' magazine.
- Ranked among the Top 10 Companies in Sri Lanka by the 'Business Today' magazine.

2010 •

- Declared as "Bank of the Year 2010 - Sri Lanka" by the London-based "The Banker" magazine.

2011 •

- Opened 10 branches across the island in a single day – a first in the local banking industry.
- Introduced 365-day banking with the unveiling of Super Branches at Dharmapala Mawatha and Kiribathgoda.
- Introduced the online real time Cheque Deposit ATMs – a first in South Asia.
- Powered the nation's largest ATM network – Access enabled to nearly 1,500 ATMs island-wide.

2012 •

- Sampath Bank celebrates its silver jubilee, marking 25 years of service to the nation.
- Recognised as the "Best Banking Group in Sri Lanka 2012" by the World Finance magazine.

Sampath Bank continues to reiterate its commitment to Sri Lanka's economic progress.

2016 •

- Pioneered launch of "Visa payWave" enabled cards to Sri Lanka.
- Declared "Best Bank in Sri Lanka for the Year 2016" for the third time by the "Euromoney" business magazine.

2017 •

- Awarded "Banking Institutions - Bronze Award" by the Institute of Chartered Accountants of Sri Lanka at the 52nd Annual Report Awards Ceremony - 2016.
- Sampath Bank celebrates 30 years of service to the nation.
- Launch of 10 Digital Product suite.
- Launch of the drive-thru ATM.
- Recognised as Sri Lanka's "Best Retail Bank" and "Best Commercial Bank" at the World Finance Banking Awards for the 4th consecutive year.

2018 •

- Pioneered launch of Slip-less Banking to Sri Lanka.
- Recognised as Sri Lanka's "Best Retail Bank" and "Best Commercial Bank" by the World Finance Banking Awards for the 5th consecutive year.

2019 •

- Ranked 5th among the Top 30 Best Performing Companies at the 'Business Today Top 30 Awards 2018 - 2019'.
- Declared the Winner in the Banking Sector and the Winner of Excellence in the Corporate Governance category, at the National Business Excellence Awards 2019, organised by the National Chamber of Commerce of Sri Lanka.
- Clinched the Gold Award for "Digital Quick Loan" and Silver Award for "Virtual Teller Machine" under the categories "In-house" and "ICT Services Solutions in Business Services" respectively at the National ICT Awards - NBSQA 2019.
- Winner of 8 awards at the LankaPay Technnovation Awards 2019 organised by LankaClear (Pvt) Ltd.
- Recognised as among Sri Lanka's Top 10 Most Admired Companies for the second consecutive year at the "Most Admired Companies of Sri Lanka 2019".
- Ranked among the Top 10 "Most Respected Entities in Sri Lanka" for the year 2019 by LMD.
- Placed 10th among the "Most Loved Brands" - the only bank to make the Top 10, and 7th among the "Most Valuable Consumer Brands" at the LMD's Brands Annual.



2013 •

- Pioneered launch of Sri Lanka's first foreign currency ATM.
- Pioneered launch of "Cardless Cash ATM" technology to Sri Lanka.
- Declared "Best Bank in Sri Lanka for the year 2013" by the "Euromoney" business magazine.

2014 •

- Declared "Best Bank in Sri Lanka for the year 2014" for the second consecutive year by the "Euromoney" business magazine.
- Awarded the "Banking Institutions - Gold Award" - "Edmand J Cooray Memorial Trophy" and the "Overall Excellence in Annual Financial Reporting - Bronze Award" by the Institute of Chartered Accountants of Sri Lanka at the 50th Annual Report Awards Ceremony - 2014.

2015 •

- Reclaimed the prestigious title of "Sri Lanka's Bank of the Year for 2015" after winning the globally recognised "Banker Award" conferred by the London-based "The Banker" magazine owned by the prestigious "Financial Times Group".
- Adjudged the "Overall Best Corporate Citizen 2015" at the Best Corporate Citizen Sustainability Awards 2015, presented by the Ceylon Chamber of Commerce.
- Awarded "Banking Institutions - Silver Award" by the Institute of Chartered Accountants of Sri Lanka at the 51st Annual Report Awards Ceremony - 2015.



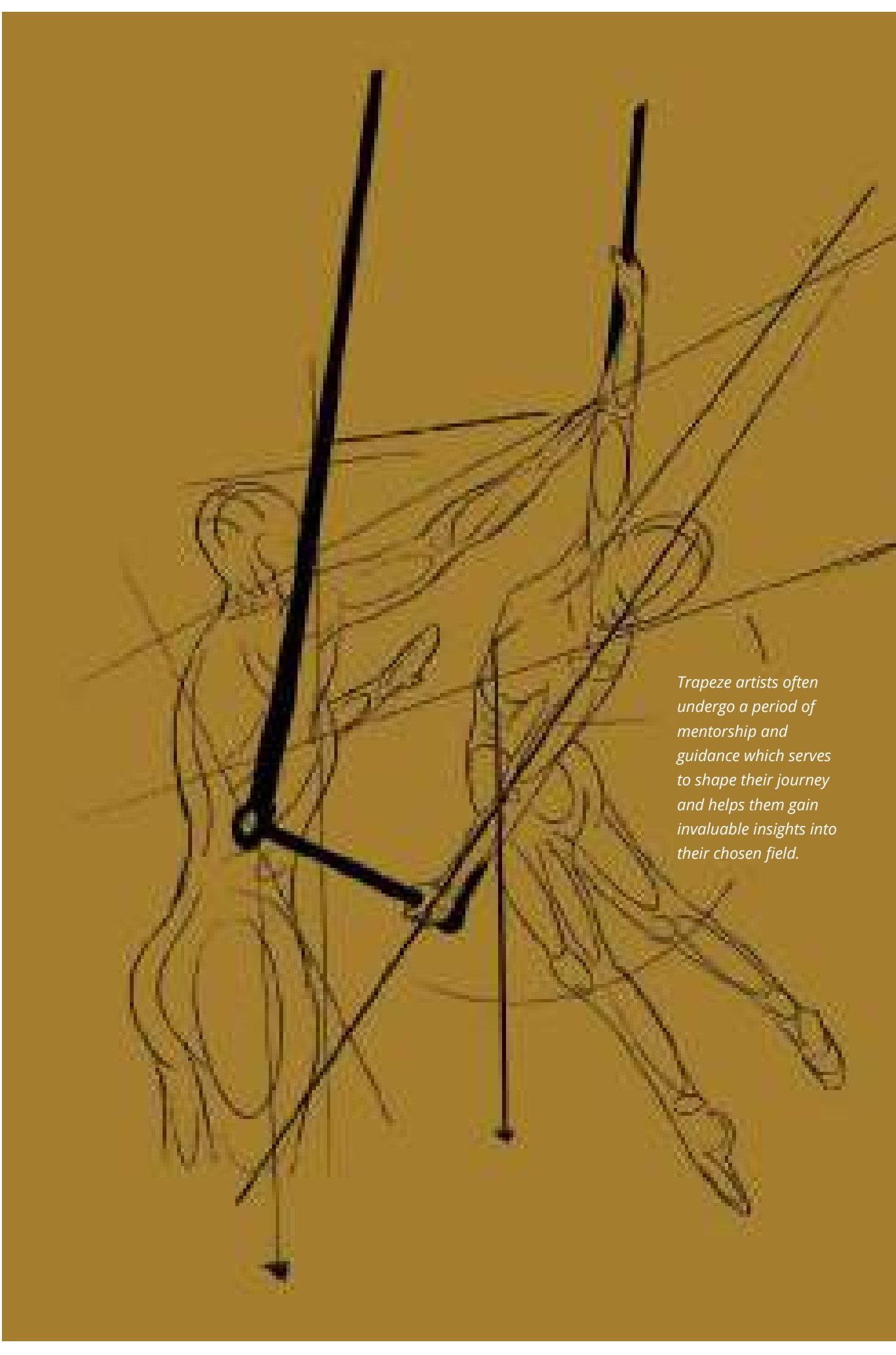
2020 •

- Declared Sri Lanka's "Best Retail Bank" and "Best Commercial Bank" for the 7th consecutive year at the World Finance Banking Awards.
- Rated amongst the Top 1000 World Banks 2020 by the UK's Banker magazine in its 50th anniversary of the rankings.
- Placed 10th among the "Most Loved Brands" - the only bank among the top 10, and 5th among the "Most Valuable Consumer Brands" at the LMD's Brands Annual.
- Ranked among the Top 10 "Most Respected Entities in Sri Lanka" for the year 2020 by LMD.
- Sampath Bank's asset base crosses the Rupees 1 Trillion mark - the first local bank to reach this milestone in just 33 years.



2021 •

- Ranked among the Top 5 "Most Respected Entities in Sri Lanka" for the year 2021 by LMD.
- Placed 7th among the "Most Loved Brands" - the only bank among the top 10, and ranked among the top 10 "Most Valuable Brands" at the LMD's Brands Annual.
- Recognised as Sri Lanka's "Best Retail Bank" and "Best Commercial Bank" for the 8th consecutive year at the World Finance Banking Awards.
- Pioneered launch of "Touchless Cash Withdrawals" to Sri Lanka.
- "Touchless Cash Withdrawals" technology receives recognition at the prestigious APICTA Awards 2021. Sampath Bank was the only Sri Lankan bank to be recognised at the APICTA Awards 2021.

A minimalist line drawing on a solid brown background. It depicts two trapeze artists. One artist is on the left, standing on a horizontal bar and reaching out with their right arm towards the other artist. The second artist is on the right, suspended in the air with their body arched and legs extended. Several thin, intersecting lines crisscross the background, suggesting the ropes and structure of a trapeze rig. The drawing is composed of simple black outlines, with some thicker lines for the main figures and thinner lines for the background structure.

Trapeze artists often undergo a period of mentorship and guidance which serves to shape their journey and helps them gain invaluable insights into their chosen field.

LEADERSHIP IN ACTION

HEAR FROM OUR LEADERS

Relying on decades of expertise and knowledge, we remain forerunners in our field,
guiding our stakeholders with a spirit of dedication and care.

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Managing Director's Review	34

CHAIRMAN'S MESSAGE



Harsha Amarasekera
CHAIRMAN

Dear Valued Stakeholders

It is now over two years since the COVID-19 pandemic first ravaged the world with the swiftness and suddenness of a conflagration. It was anticipated that the financial year 2022 might be a year of global respite and recovery. Regrettably, this was not the case.

The year 2022 saw countries already exhausted by repetitive battles with an unrelentingly mutating COVID virus, further threatened by escalating geopolitics across the globe, which ultimately resulted in open warfare in Europe, following the Russian invasion of Ukraine. The ripple effects of this armed altercation have been transmitted globally in the form of shortages and rapid inflation in the cost of fuel, food and raw materials. Meanwhile, strategic rivalry between China and the West continued to deepen, and the growing hostility between China and Taiwan, and between North Korea, South Korea and Japan, are burning embers that further threaten Sri Lanka's already fragile economy. Closer to home, Pakistan, a nuclear power, is experiencing a foreign exchange crisis, while battling the risks of terrorist activity by the Taliban.

Sri Lanka too, was shaken to the core in 2022 by the combined impact of recurrent shortages of foreign exchange and a steep and unprecedented depreciation of the Sri Lankan Rupee, both of which led to a shortage of essential food, medication, fuel and gas, as well as extensive power cuts, thereby exacerbating inflation, repeated trade union action and civil protests. For the first time in our post-independence history, Sri Lanka suspended the repayment of its external public debt, resulting in a financial crisis of mammoth proportions that culminated in the replacement of both the President and the Prime Minister. The increased prices of all essential commodities, coupled with much higher market interest rates and tax rates, have had a significant impact on the cost of living and economic activities and has created uncertainty in respect of Sri Lanka's economic future.

The above, amongst other factors, has precipitated a mass outmigration of young people and professionals. National economic growth has shrunk alarmingly against 2021, with estimates ranging from -9.2% by the World Bank, to -8.8% by the Asian Development Bank, and -8.7% by the International Monetary Fund (IMF). Admittedly, this is not a favourable position from which to embark into a new year. Nonetheless, we, as a nation, must confront these challenges and be innovative and flexible in our thinking so as to forge ahead in the coming years.

Prioritising Economic Stability

Sampath Bank prioritised the needs of our customers, the security and wellbeing of its staff, and all aspects of national economic security in 2022, all of which continue to remain a priority as we face yet another volatile year. The Bank is inextricably interwoven into the very socio-economic fabric of the country, with financial as well as emotional bonds spanning the width and breadth of Sri Lankan society. Hence, despite the widespread economic uncertainty of 2022, Sampath Bank focused on achieving a strong capital base and a steady liquidity profile in order to reinforce the financial stability of not only the Bank, but of the financial system as a whole.

Sampath Bank continued to lead by example, by promoting inward remittances and encouraging the inflow of export proceeds into the country, while assisting all stakeholders to navigate the current economic crisis. We are particularly proud of the significant foreign exchange that we have made available for the import of fuel, gas and other essentials, which has helped alleviate the hardships that might otherwise have occurred to our daily lives. The Bank has also been prudent and conservative in respect of the provisioning for impairments. Notwithstanding the same, the Bank was able to report a strong financial performance for 2022 with sustained growth in profitability, thereby upholding the obligations owed to its shareholders.

► GRI 2-11,22



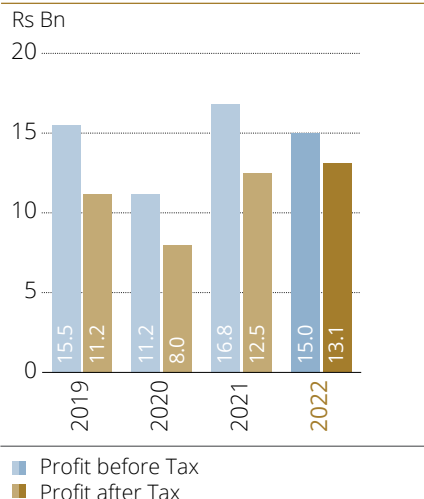
Sampath Bank prioritised the needs of our customers, the security and wellbeing of its staff, and all aspects of national economic security in 2022, all of which continue to remain a priority as we face yet another volatile year.

Financial Performance

I believe our financial performance is the highest testament to Sampath Bank's strength and stability at the end of this gruelling year. Sampath Bank achieved a commendable performance for the financial year 2022, in spite of incessant market and operational disruptions. The Bank concluded 2022 with a Profit after Tax (PAT) of Rs 13.1 Bn and a Profit before Tax (PBT) of Rs 15.0 Bn, a 10.8% negative growth in PBT and a 5.4% marginal growth in PAT. I am satisfied with this outcome given the exceptionally difficult environment in which we operated. The Group reported PAT and PBT of Rs 14.1 Bn and Rs 16.4 Bn respectively, as against Rs 13.9 Bn and Rs 18.8 Bn respectively reported in 2021.

CHAIRMAN'S MESSAGE

Profit before Tax & Profit after Tax



Creating Value for All Stakeholders

The aftermath of the prolonged economic stress caused by the pandemic and the impact of the ongoing economic crisis on the business operations were judiciously assessed by the Bank prior to addressing challenges, and adequate impairment provisions were thereafter allocated on a prudential basis. We also worked closely with customers and developed highly targeted and customised solutions to assist our most vulnerable stakeholders. Many customers in the tourism sector whose moratoria ended in 2022 for instance, were offered customised restructuring and rescheduling solutions. The Bank also leveraged its complete range of service delivery channels including branches, ATMs, Cash Deposit Machines, Cash Recycler Machines, eZ Banking agents and digital channels to provide uninterrupted services to customers, even amidst fuel and electricity shortages in the country.

Despite external disruptions, Sampath Bank has remained steadfast in its futuristic vision to revolutionise banking in Sri Lanka, building a peerless financial organisation equipped with cutting edge technology. Through Sampath WePay, we are on a mission to convert all cash-based transactions into digital media.

We have also continued to invest in significantly enhancing our IT systems. The Bank has now added video conferencing consoles at new digital banking centres and implemented a Green PIN concept for ATM cards.

We were also the first local bank to enable businesses to automatically generate dynamic merchant LankaQR codes through the Sampath Bank Payment Gateway, which enables lower transaction costs than traditional credit cards. Online banking has been made even more accessible by facilitating Sampath Vishwa online banking, through customers' debit card PINs. Our mobile banking facility was also upgraded for an omni-channel customer experience. In addition, we also partnered with a leading mobile network service provider to launch the Tourist Fuel Pass, to fast-track tourism industry recovery, while attracting foreign currency.

Giving Back to Our Communities

It gives me great pride to place on record that Sampath Bank never wavered in its obligations towards society during this exceptionally difficult period. The "Wewata Jeewayak" programme commenced restoring four tanks in Dambulla, Thalawa, Dambana and Maho, and "Sampath Saviya" our Entrepreneurship Development programme, successfully conducted the Youth Entrepreneurship Programme "BIZTEP". Under the "Education for All" theme, we continued to provide internship programmes for school leavers and undergraduates. The Bank also launched a coral replanting programme for the protection of marine resources in the waters off the coast of Bandaramulla, Mirissa.

Performance Excellence

Sampath Bank was named the "Best Commercial Bank" and "Best Retail Bank" of Sri Lanka in 2022 for the ninth consecutive year, at the World Finance Banking Awards, UK. Sampath Bank also won the highest number of awards at the

Rs 198 Bn
2022
89% Gross Income
Rs 105 Bn
2021

LankaPay Technnovation Awards 2022. At the NBQSA - National ICT Awards 2022, Sampath Bank received both the Overall Gold Award and the Gold Award for the Banking, Insurance and Finance category.

The Bank was also recognised as Sri Lanka's Best Bank for CSR by Asiamoney magazine, and as the Market Leader in CSR by Euromoney magazine. These independent and unbiased awards bring pride to our nation and validate Sampath Bank's position amongst the very best in the industry.

Outlook for the New Financial Year

The World Bank, in its January 2023 Global Economic Prospects Report, expressed concerns that "further adverse shocks" could push the global economy into recession in 2023, with small states being particularly vulnerable. The International Monetary Fund echoed similar sentiments, stating that one-third of the global economy will be in recession as the United States, the European Union and China are all slowing down simultaneously. This has resulted in the World Bank scaling down its global growth projections to 1.7% in 2023 and 2.7% in 2024.

While a global economic downturn will undoubtedly impact Sri Lanka's prospects in 2023, there is a silver lining for Sri Lanka in light of the progress of the IMF-EFF programme, and debt restructuring negotiations. In addition, a recovery in economic activity is anticipated in 2023 with improvements envisaged on the supply-side, along with the timely implementation of the required

reforms. Both ongoing and prospective reforms are expected to drive the Sri Lankan economy onto a recovery path from the latter part of 2023.

The stringent import restrictions, fuel rationing and the resilience in exports have resulted in an improvement in the Current Account, potentially eliminating negative movements in the currency. Cost reflective pricing for essential utilities such as fuel, electricity, LP gas, and key changes in direct and indirect taxes, will also boost government revenue. Thus, while acknowledging the challenges facing the country, I am hopeful of an all-round improvement in 2023.

Plans for Sustainable Growth

We are fully cognisant of our overarching responsibility, not only towards our shareholders but also to wider society during this period of painful economic transition and are completely invested in generating opportunities for wealth creation. In striving to achieve this objective, Sampath Bank intends to adopt the highest standards of governance, stringent internal controls and effective risk management practices in order to facilitate stable and sustainable growth in 2023, and beyond.

As a key component of our economic recovery drive, Sampath Bank will accelerate market penetration by increasing the number of eZ Banking agents while also expanding our digital drive. Our objective is to bring faster, more convenient and more cost-effective financial services to all communities, across the island. This will also encourage underbanked and unbanked communities across Sri Lanka to adopt formal banking practices, and will motivate more people and businesses around the country to use a wider range of banking services. We are confident that our efforts will contribute significantly towards poverty alleviation and developing entrepreneurship, while also augmenting the Bank's financial returns.

Appreciations

Our success in 2022 is an achievement that is indubitably a consequence of the dedication and commitment of many people who continued to maintain faith and trust in the Bank during these volatile times. Our employees, "Team Sampath", are undeniably the greatest resource that we have and the team, together with our customers, are the mainstay of our success in the past and they, together with the Bank's Corporate Management, must be credited for driving the Bank's vision at ground level despite the headwinds that prevailed throughout the year.

The Board will seek to repay the confidence that the shareholders have in us by mapping out a strategic vision which will encompass a blueprint for continued profitability, while exercising prudence and care during these times of uncertainty. The Bank is also fully committed to ensuring that our customers are able to achieve their goals.

During the year under review, Mr Deshal de Mel, Senior Independent Director, retired from the Board prematurely in order to take up a national role with the Ministry of Finance. Deshal, during his tenure was a source of strength for both the Board and I, and we will miss his acumen and knowledge. On behalf of the Board, I wish to place on record the Bank's appreciation to Deshal for the contributions he made to the deliberations of the Board. I am, at the same time, delighted to welcome Mr Hiran Cabraal to the Board of the Bank with effect from 30th June 2022. He brings with him a vast body of experience, both in Sri Lanka, as well as in this region, in many aspects of banking, particularly in the areas of risk and compliance.

During this very difficult year, I was extremely fortunate to receive guidance and wise counsel from my colleagues on the Board. They have engaged themselves in the affairs of the Bank at very short notice and have at all times been ready and willing to accede to the demands of the Bank and

Rs 111 Mn
2022



158%

Economic Value Distributed
to the Community

Rs 43 Mn
2021

to address day-to-day challenges, as and when they arose. I am therefore immensely grateful to the members of the Board and I have no doubt that I will be able to rely on their guidance and counsel in the coming years.

I am also grateful to our regulators, the Central Bank, the Colombo Stock Exchange, the Securities and Exchange Commission, the Ministry of Finance, the Ministry of Health and the Tri-forces, for their support during the year.

I also extend my appreciations to the suppliers and service providers who have stood by the Bank despite the many hardships of the year.

I extend my sincere appreciations to all our valued stakeholders and I look forward to writing a new phase in the history of our country, together.

Sincerely,

HARSHA AMARASEKERA

Chairman

17th February 2023
Colombo, Sri Lanka

MANAGING DIRECTOR'S REVIEW



Nanda Fernando
MANAGING DIRECTOR

GRI 2-6



Setting aside our plans for growth and expansion, we quickly shifted gears to focus instead on strategic reorientation to enable the Bank to adapt to the highly uncertain economic conditions.

Rs 1.3 Tn

2022

Total Assets

10.4%

Rs 1.2 Tn

2021

Rs 1,103 Bn

2022

Total Deposits

12.8%

Rs 978 Bn

2021

The last few years have been extraordinarily challenging for Sri Lanka. First the Easter Sunday attacks in 2019, and then the almost two-year battle with the COVID-19 pandemic caused massive economic stress, which is why when the world appeared to be moving forward post-pandemic, many of us dared to hope that 2022 would signal a turning point for Sri Lanka too. In contrast, it proved to be a tipping point, where straddled by long overlooked structural weaknesses and surging foreign debt, the Sri Lankan economy collapsed into its worst crisis, post-independence.

I must admit for me personally, leading Sampath Bank through this critical juncture in the country's history has been one of the most strenuous and demanding experiences of my four-decade long career as a banker. In a manner of speaking, the series of events that unfolded throughout 2022 all had a bearing on the country's financial system as a whole and being part of this construct, Sampath Bank too was affected in numerous ways. However, I find that there were a few macro-level events that were somewhat more concerning. First, was the government announcing its decision to suspend servicing sovereign debt obligations with effect from April 2022 as the country battled with an unprecedented foreign exchange crisis. The decision in effect ended Sri Lanka's unblemished external debt repayment record, which the country has continued to maintain despite past setbacks.

The change in the country's status quo had a cascading effect on the local banking sector, as foreign lenders triggered conditional covenants that required Sri Lankan banks to advance their repayment obligation on a priority basis. Meanwhile, Sri Lanka's sovereign rating downgrade by international rating agencies in May 2022 brought fresh worries as global lenders rushed to curtail lending and tighten trade terms with local banks.

From an economic standpoint, it was tough to see the country become progressively more vulnerable as foreign currency reserves dried up as a consequence of low inward remittances and sub-par growth in tourism sector income, while tighter fiscal controls, including broad-based import restrictions introduced by the government in order to stem currency outflows saw both agriculture and industry sectors shrinking and causing inflation to rise alarmingly.

The combined impact resulted in Sri Lanka's GDP contracting by 9.2%, possibly the most historically significant deterioration in the country's modern history.

On the upside, I am pleased to see that proactive efforts by the new government to initiate talks with the IMF to secure financial assistance by way of an EFF arrangement appear to be bearing fruit with a staff-level agreement for a proposed EFF being reached in early September 2022. The government-led policy reform programme also offers renewed hope for a firm reset that would help restore economic stability over the medium term.

Strategic Reorientation

Setting aside our plans for growth and expansion, we quickly shifted gears to focus instead on strategic reorientation to enable the Bank to adapt to the highly uncertain economic conditions. Amidst muted credit demand and very real concerns regarding the debt repayment capacity of borrowers under hyperinflationary conditions and rising interest rates, lending across all formats were curtailed. Multi-pronged approaches to safeguard the Bank's consumer banking portfolio, included efforts to curb the exposure to leasing and housing advances and also mitigate the credit concentration risk to the housing and condominium sector. Nonetheless, capitalising on the rising world gold prices, we seized the opportunity to promote pawning and grow our gold loan portfolio.

MANAGING DIRECTOR'S REVIEW



The Bank continued to lead by example in demonstrating its commitment to the national growth agenda by promoting inward remittances and encouraging the inflow of export proceeds.

Rs 11.48

2022

EPS

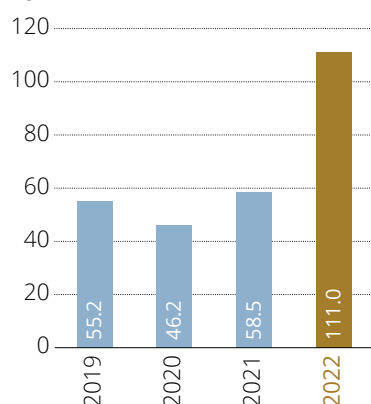
5.4%

Rs 10.89

2021

Total Operating Income

Rs Bn



While curtailing broad-based lending, we remained mindful of the importance of supporting the SME sector, where possible. Towards this end, our own credit line and the ADB funded credit line were both kept open to mobilise SME sector investment into selected sectors such as renewable energy, modern agriculture, information technology, e-commerce and education.

At this point, I wish to place on record that the prevailing uncertainty presented an opportunity for Sampath Bank to showcase its commitment to responsible banking principles. Seeing a majority of corporates under pressure due to the economic downturn along with stringent import restrictions, we were reluctant to add to their pressure by encouraging them to increase their gearing any further. Accordingly, a cautious lending strategy was adopted for the corporate advances portfolio. With this restrained approach influencing our lending decisions throughout 2022, we engaged in selective lending mainly targeting systemically important sectors of the economy to drive the expansion of our corporate lending book.

I do concede that the foreign currency shortfall in the country did have a bearing on our ability to support our customers at this crucial time, which is why I am very pleased to say that thanks to conscientious management of the Bank's Net Open Position, we were able to facilitate priority imports such as essential food, pharmaceuticals and critical agricultural inputs to support local growing activity. Further reiterating our willingness to support the government's efforts to curtail imports as much as possible, special credit facilities were offered to corporates to encourage investment in the import substitution space in particular through local manufacturing.

The Bank continued to lead by example in demonstrating its commitment to the national growth agenda by promoting inward remittances and encouraging the inflow of export proceeds. Leveraging our industry-leading trade service capability, we launched a special export promotion drive. This together with our Cash Management Solutions were also part of our new customer acquisition strategy and I am happy to see that through these efforts, we were able to attract a sizable number of Multi National Corporates and rated local conglomerates who have time and again proven to be relatively immune to economic shocks.

It is with immense pride that I acknowledge, Sampath Bank's success in boosting inward remittance flows to Sri Lanka, at a time when the country was in dire need of foreign currency. The launch of the e-Remittance solution in collaboration with our network of global Fin-tech partners was the key catalyst in our efforts to make inroads into new source markets as well as to deepen the penetration across existing remittance corridors.

On the funding side, our deposit mobilisation activities were largely influenced by the upward movement in policy interest rates from April 2022 onwards. Cautious of cost implications in this rising rate environment, CASA growth remained our top priority in 2022.

With cost management top-of-mind as always, throughout the year, we continued to trim expenses where possible and practical. Early on in the year, we undertook a special programme to cut branch costs and improve overall productivity by centralising all back-office functions typically handled at branches.

Meanwhile, seeing no visible improvement in the country's economic indicators even towards end-2022, the Bank's leadership revisited Sampath Bank's fundamental strategy in the context of prolonged economic stress. A global financial advisory specialist was commissioned to conduct a deep dive into our existing strategy, and critically examine the adequacy and efficacy of our existing strategic levers to help the Bank navigate the uncertainties that lie ahead.

The result was the formulation of a brand new way forward termed "Art of Transformation" or AOT. The 4th such forward-looking strategic initiative by the Bank in 6 years - the first being the "Paradigm Shift" in 2016, followed by the "Triple Transformation 2020", phase 1 and 2 and AOT being the latest edition. While strategic transformation has remained the overarching theme for all, the fundamental difference of AOT is that it constitutes an urgent call to action to build the necessary defenses that will allow the Bank to deliver its performance objectives and strengthen the Balance Sheet despite headwinds. With the final touches on AOT completed by end December 2022, we anticipate the formal roll out of AOT to take place in January 2023.

Consistent Financial Results

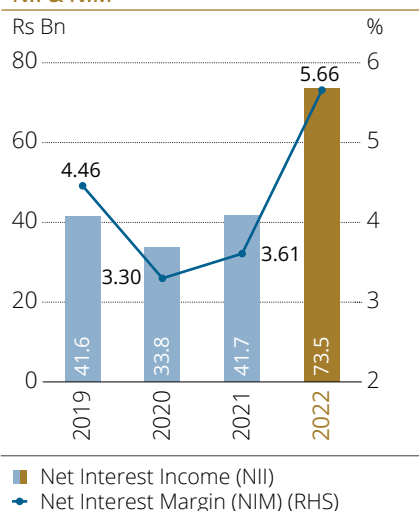
I am pleased to report that Sampath Bank delivered healthy results for financial year (FY) 2022, which are consistent with expectations for the period.

Favourable re-pricing of the interest-earning assets portfolio in tandem with the upward trend in interest rates, saw the Bank's Net Interest Income (NII) rising to Rs 73.5 Bn in FY 2022, up by 76.4% from Rs 41.7 Bn in 2021. Net Interest Margin (NIM) also improved by 205 bps to 5.66% in FY 2022 compared to 3.61% in 2021, as the growth in interest income outpaced the increase in interest expenses.



While strategic transformation has remained the overarching theme for all, the fundamental difference of AOT is that it constitutes an urgent call to action to build the necessary defenses that will allow the Bank to deliver its performance objectives and strengthen the Balance Sheet despite headwinds.

NII & NIM



Bolstered by strong improvements in all fee-based activities, Net Fee and Commission Income grew by 69.4% to Rs 19.4 Bn in the year under review from Rs 11.5 Bn in 2021.

Total impairment charges increased substantially from Rs 17.1 Bn in 2021 to Rs 62.7 Bn in FY 2022. Of this, Rs 54.3 Bn is on account of provisions for loans and advances, while Rs 7.8 Bn is attributed to investments in financial instruments including SLDBs and SLISBs.

A few key points to note regarding our provisioning approach for the current financial year. On a prudent basis, higher

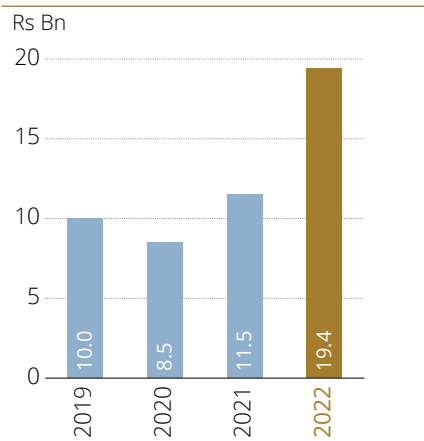
provisioning was booked against loans and advances in lieu of the probability weightage for the worst-case economic scenarios and the Economic Factor Adjustment to account for the prevailing economic uncertainties.

In light of the unsettled macroeconomic environment, the Bank conducted a comprehensive review of the impairment provisions made against both significant and non-significant customers during the year. This review process took into account various factors, including the repayment capacity of customers, industry-specific stress factors, default risk of customers under the government approved moratorium along with the potential impact of rising inflation, higher interest rates and tax rates, as well as other indeterminate challenges that could occur due to extreme economic pressure. The collective impact of these approaches saw impairment provisions on loans and advances increasing to Rs 109.0 Bn in FY 2022, up by 115.7% from Rs 50.5 Bn in 2021.

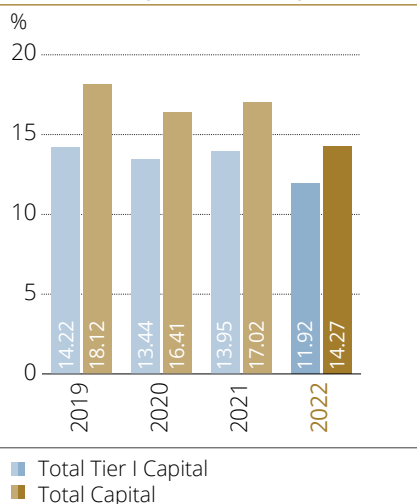
At the same time, following the downgrade of Sri Lanka's sovereign rating, the Bank moved to make substantial provisions in anticipation of possible haircuts on foreign currency denominated government security instruments. On this basis, impairment charge of Rs 7.8 Bn was recognised against SLDBs and SLISBs.

MANAGING DIRECTOR'S REVIEW

Net Fee & Commission Income



Total Tier I Capital & Total Capital



was put in place to offer specialist advice to exporters, especially SMEs and start-ups. Inspired by the excellent response received for our export advisory service, we tied up several export-related government bodies to conduct a series of awareness workshops for exporters.

Stepping in to handle trade negotiations on behalf of our export clients, we often reached out to our network of global correspondent banks and even initiated new relationships with other overseas banks. Additionally, we were able to secure a blanket guarantee for all site Letters of Credit (LC) issued by Sampath Bank through the Indian Exim Bank's Trade Assistance Programme (TAP), which allowed us to expedite the process for importers of essential items. To complement these efforts, the Sampath Vishwa Corporate facility was further enhanced with the inclusion of new automated modules to improve processing speeds of LCs and both outward and inward Telegraphic Transfers (TT).

As part of our customer experience augmentation strategy, we continued to expand customer digital interfaces, most notably the launch of the Sampath iPIN - self onboarding facility via the Sampath Vishwa Online Banking Platform, upgrading digital banking centres through the introduction of video conferring console to facilitate accounts opening and the Green PIN implementation to replace the conventional paper-based ATM PIN delivery mechanism. We made good headway in integrating the Sampath Vishwa Mobile App into the omni-channel environment and went live with the 'RemitWise' app upgrade incorporating the end-to-end traceability feature.

We achieved a major milestone in our campaign to support the CBSL's endeavour to promote mainstream use of QR-based payments. Forming a strategic partnership

Rs 5.6 Bn

2022

Financing of New Renewable Energy Projects

22.6%

Rs 4.6 Bn

2021

Operating expenses also increased by 35.7% year-on-year, driven by higher personnel costs and the combined impact of high inflation, higher taxes and the high cost of imports on the back of weak Rupee.

Nonetheless, despite higher operating expenses and the four-fold increase in impairment charges, Sampath Bank posted a Profit After Tax of Rs 13.1 Bn for FY 2022, which was marginally higher than the Rs 12.5 Bn tabled in the previous year.

The Bank maintained a stable capital position throughout 2022, with all key capital ratios consistently above regulatory minimum requirements. As at 31st December 2022, the CET I and Tier I Capital Adequacy Ratios stood at 11.92% and

11.92% respectively, while the Total Capital Ratio was at 14.27%, all ratios above the regulatory minimum of 7%, 8.5% and 12.5% respectively. The Bank's Leverage Ratio as at the end-December 2022 was 7%, against the regulatory minimum of 3%.

Liquidity levels too remained consistent. At 27.85%, the Statutory Liquid Assets Ratio as at 31st December 2022 was comfortably above the regulatory minimum requirement of 20%, while the Liquidity Coverage Ratio (All Currency) and the Net Stable Funding Ratio at 146.53% and 157.10% respectively, were also both well above their respective regulatory minimum requirements.

Protecting Customer Journeys

The myriad challenges encountered in 2022 did not in any way dampen our passion or should I say compassion for our customers and to see them through these trying times. Considering the need of the hour, our advisory services were significantly expanded. A new Credit Nursing Unit was set up to assist both retail and corporate borrowers in capital planning and liquidity management, while a dedicated internal advisory team

with Paycorp International (Private) Limited, Sampath Bank became the first local bank to allow real-time payment and settlement using any LankaQR enabled apps and digital wallets. It is with great pride I announce that Sampath Bank was also the first Sri Lankan bank to introduce e-commerce facilitation services with direct connectivity to the UnionPay International payment gateway, payment processing solution, and payment aggregator services, all backed by security assurance under the latest 3DS 2.0 fraud protection software.

Regardless of economic cycles, our vision to be “The Growing Force in Sri Lankan Financial Services”, remains set in stone. It has been the inspiration behind our 36+ years of innovation and exploration for the purpose of creating new customer journeys. Continuing to innovate in 2022, we sought to make our banking services safer and more accessible to a wider mainstream audience. It was this premise that led to the introduction of the Sampath Bank’s e-remittance service - a convenient, fast and cost effective medium for Sri Lankans living overseas to remit much needed foreign currency to the country safely and legally. Similarly, the “eZ Banking” service which we launched in mid-2022 in partnership with Dialog Axiata PLC, is positioned as a convenient and cost effective solution to enable unbanked and underbanked populations to easily access formal financial services. Both solutions have been tremendously well received by the respective target markets, which gives me reason to believe that they will only gain further traction in due course.

Advancing the Digital Core

In the decade since embarking on our digital transformation strategy, we have made remarkable progress in integrating digital technology to every aspect of our business. This past year was no different. In 2022, we intensified the focus on



I am pleased to report that Sampath Bank delivered healthy results for financial year 2022, which are consistent with expectations for the period.

process automation, with more emphasis on widening the use of robotic process automation to streamline routine and repetitive processes. Data science technology and data analytics insights were also widely used to improve decision making and customer value addition respectively.

Our cloud migration programme, which was launched in 2021, gathered momentum with the latest updated versions of the Human Resource Information System (HRIS) and the “Vidvan” learning management platform, both introduced to the cloud environment during the year.

With these latest developments, I can confidently say that Sampath Bank is now digital to the core. This is not to say our transformation is over, but only that we have reached a new, more advanced phase in our digital evolution where everything we do is complemented by the latest technology.

That said, I would like to stress that the efficacy of the Bank’s information security architecture too was assured following the ISO 27001:2013 recertification for a further 3-year period from August 2022 to

July 2025. Keen to further elevate our system security on par with the latest global standards, several parallel projects were initiated to secure more niche certifications such as the ISO/IEC 22301, ISO/IEC 27035, and ISO/IEC 20000.

Meanwhile, to demonstrate our commitment to the early adoption of regulatory changes, some notable steps were taken to comply with the Banking Act Direction No. 16 of 2021 on “Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks” and Personal Data Protection Act No. 9 of 2022. In this regard, a new Cloud Computing Policy was approved by the Board and a new information security strategy was drawn up outlining the way forward for the next 3 - 5 year time frame.

Strengthening the Team

First through COVID-19 and now during these extraordinary times, our team has continued to prove beyond a doubt that they are indeed the Bank’s staunchest allies. This I believe is thanks to a combination of our robust people strategy and unique team-based culture.

As in the past, in this year too, we ensured our people were duly recognised for their performance and rewarded for their willingness to go above and beyond the call of duty to serve our customers and stay true to the “Sampath” brand values.

Both financial and non-financial benefits were also further enhanced to offer relief to employees during these difficult times. For several months during the fuel crisis, a luxury bus service was deployed on selected routes to help employees to commute to work with ease. The “Cycle to Work” initiative was also launched at the height of the fuel crisis in June 2022.

MANAGING DIRECTOR'S REVIEW

Our talent management programme received a major boost in 2022, when we hired a global consultancy firm to design and develop a robust new Performance Management System and Performance Based Bonus Scheme. By establishing a direct link between employee performance and rewards, the proposed fully automated mechanism is expected to create a cohesive framework that will help to further deepen the performance-driven culture at a granular level.

Providing for the Community

As a bank, we consider it our duty to provide for the wider community. Through our flagship community initiative - the "Wewata Jeewayak" tank restoration programme, we invest in rehabilitating long neglected irrigation infrastructure mainly in Sri Lanka's dry zone, thus providing a lifeline to countless small-scale rural farming families who live in surrounding villages. Including the 4 new restoration projects undertaken in 2022, the "Wewata Jeewayak" tank restoration programme has been responsible for the restoration of 16 tanks to date.

Formally endorsing our commitment to serve the wider community, we launched the "Pohosath Minissu" campaign in September 2022. Our goal with this campaign was to emphasise traditional Sri Lankan value culture and show how we as a Bank appreciate these time honoured customs and will always give precedence to them over the creation of material wealth. By reinforcing the key message that "values are what bind us beyond a transaction", the "Pohosath Minissu" campaign thus seeks to inspire national pride and encourage all Sri Lankans to unite under these common values, so that we as a nation may endure for the future.

Advocating for Sustainability

Our most significant and impactful contribution to sustainability is through the financing of renewables. In 2022, Rs 5.6 Bn worth of financing facilities were



Inauguration of the '10,000 Trees Campaign' in collaboration with the Rotary Club of Colombo at the We Oya Estate of Kelani Valley Plantations

extended towards new non-conventional renewable energy sector projects, of which 11.2% was for solar projects and 88.8% towards wind energy.

To ensure that sustainability principles are deeply etched into every one of our strategic undertakings, a new Environmental and Social Management System (ESMS) Implementation Committee was appointed to oversee the implementations of the CBSL directive on Sustainable Financing Activities for licensed banks. We also hired an external ESMS consultant to assist the ESMS Committee in developing appropriate policies and guidelines to comply with the requirements of the Sri Lanka Green Finance Taxonomy guidelines published on 6th May 2022.

Awards and Accolades

It has been another rewarding year in terms of awards and accolades with Sampath Bank's performance and progress on many fronts being endorsed both locally and internationally. For the 9th consecutive year, Sampath Bank clinched the titles of "Best Commercial Bank" and

"Best Retail Bank" at the prestigious World Finance Banking Awards 2022 hosted by UK-based World Finance magazine.

At the LMD Brand Finance Awards, Sampath Bank was declared the #1 Most Loved Bank in Sri Lanka and also secured a spot among the highly coveted Top 10 in the Most Valued Entities. The Bank emerged in 7th place in the Business Today Top 40 rankings for 2021-2022.

In recognition of the progress made on the digital front, Sampath Bank secured 5 major Awards at the LankaPay Technnovation Awards 2022, including the Overall Silver Award for "Outstanding Achievements and Excellence in Interbank Digital Payments" and 3 Gold Awards for the "Most Innovative Bank of the Year", "Bank of the Year for Excellence in Customer Convenience" and "Best Acquirer on Lanka Pay Online Payment Platform".

Our contribution to the wider community too did not go unnoticed. At the Euromoney Awards 2022, Sampath Bank was honoured as the 'Market Leader in CSR' and the 'Best Bank in CSR' by

Asiamoney Magazine, while at the SLIM Brand Excellence Awards 2022, Sampath Bank was recognised as the 'CSR Brand of the Year 2022'.

Sampath Bank's commitment to sustainability was acknowledged by the Ceylon Chamber of Commerce at the annual Best Corporate Citizen Sustainability Awards 2022, where Sampath Bank was declared the Overall 1st Runner Up. The Bank also won the Triple Bottom Line - Social Sustainability (People) Award as well as the Community Relations Category Award and was ranked among the Top Ten Best Corporate Citizens, at the same forum.

Way Forward

With the country's economic situation still quite fluid, I will not be so bold as to predict when the current uncertainties will end and a turnaround will materialise. However, what I can say for sure is that

Sampath Bank's path remains very clear. We will focus on implementing the AOT programme and thereby aim for a total transformation of the Bank's products, processes, pricing, business model and customer approaches, all while re-energising our teams through a more holistic employee value proposition.

AOT is a sharp contrast to the more rigid transformative programmes we have undertaken in the past, as it allows us the flexibility to explore more sustainable ways of improving employee productivity and helping to enhance their contribution towards meeting the bottom line expectations of the Bank. To further complement these measures, we will also rethink how we collaborate for business growth and value addition in certain key areas.

I am confident that AOT, with its futuristic outlook and adaptable approach will not only provide much needed immunity against an uncertain future, but more importantly serve as a scalable platform for Sampath Bank to grow sustainably and help Sri Lanka to reinstate its economic credentials in the years ahead.

Appreciations

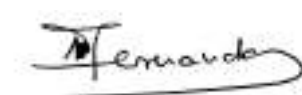
Even as Sri Lanka faced one calamity after another and the pressure mounted, our customers remained a pillar of strength throughout 2022. On that note, I would like to extend my sincere gratitude to all Sampath Bank customers for their belief in our brand and what we do.

It was truly humbling to see the courage and conviction shown by "Team Sampath" in these difficult times. Let me take this opportunity to thank each and every one of you for coming together to ensure the Bank stays on course.

I greatly value the support of our shareholders and other stakeholders who have continued to stand by us through it all. Thank you for sharing this journey with us.

My sincere appreciation to our Chairman and the Board of Directors for their tireless efforts in guiding Sampath Bank through what has undeniably been one of the toughest years in the Bank's 36+ year history.

A special word of thanks to the officials at the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange and the Ministry of Finance for their advice and support during the year.



NANDA FERNANDO
Managing Director

17th February 2023
Colombo, Sri Lanka



Sampath Bank was declared Sri Lanka's "Best Retail Bank" and "Best Commercial Bank" for the 9th consecutive year, at the prestigious World Finance Banking Awards 2022

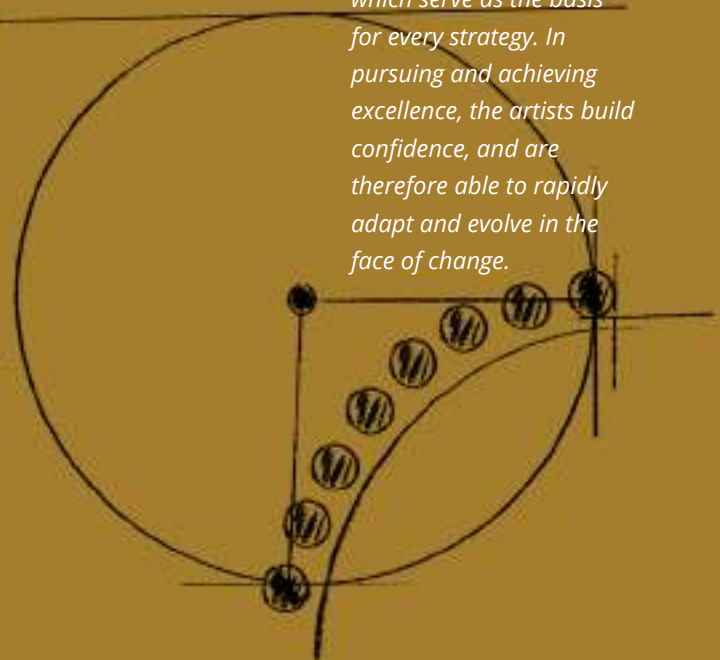
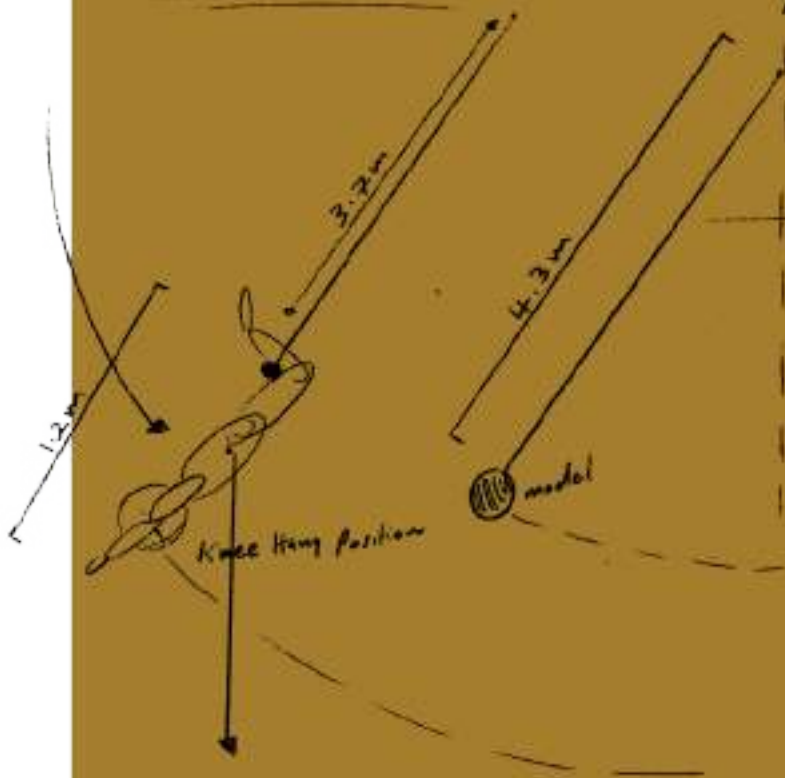
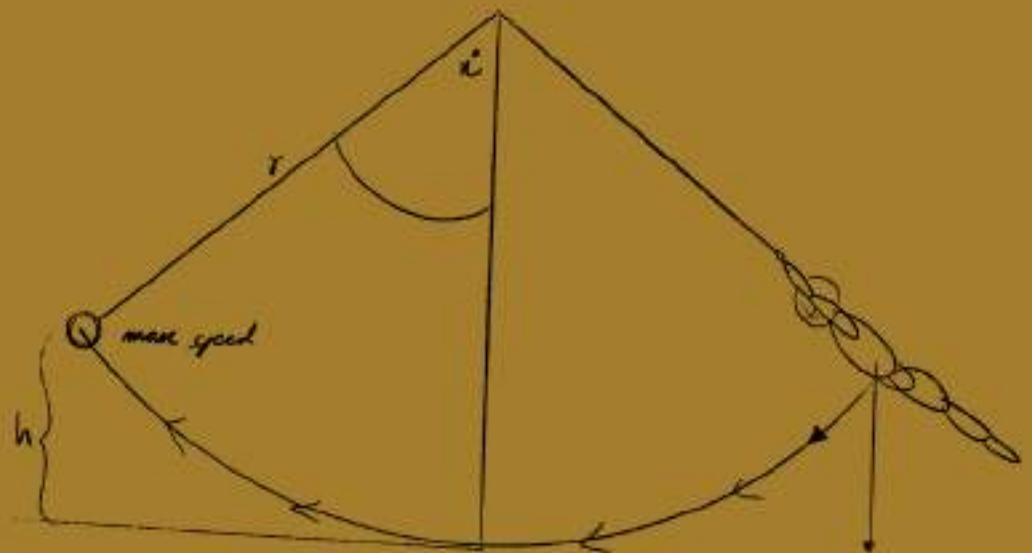
Energy

$$PE = m \times g \times h$$

$$KE = \frac{1}{2} \times m \times v^2$$

$$v^2 = 2gh$$

$$g = 9.8 \text{ (a constant)}$$



Trapeze artists rely on a wealth of technical knowledge and skills which serve as the basis for every strategy. In pursuing and achieving excellence, the artists build confidence, and are therefore able to rapidly adapt and evolve in the face of change.

EXCELLENCE IN CONFIGURATION

STRATEGY REPORT

The strategies and competencies we develop are executed with precision and accuracy; ensuring that we demonstrate flexibility, adaptiveness and agility with every movement we make.

Strategic Themes	44
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STRATEGIC THEMES



At the heart of Sampath Bank's Strategy are four fundamental interconnected themes: **BUSINESS, TECHNOLOGY, PEOPLE and SUSTAINABILITY**, which together represent the levers through which the Bank catalyses its short, medium and long term strategic objectives.

Considering the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis conducted throughout the financial year 2022, the aforementioned strategic themes were deemed priorities by the Bank's leadership to ensure Sampath Bank remains on track to achieve its strategic objectives amidst the backdrop of the highly unpredictable environment during the year.

S

Strengths

- Youngest bank in Sri Lanka to surpass Rs 1 Trillion in assets, in just 33+ years since inception.
- Strong 5-year CAGR (10.74%) in total assets (2017 - 2022).
- 2nd highest CASA ratio (35%) among peers as at 30th September 2022.
- One of the highest NIM (Net Interest Margin) among peer group; Consistently growing prior to COVID.
- Comparatively lower concentration of SLDBs and SLISBs in the Bank's book.
- Adopted a conservative impairment provisioning policy, resulting in 11.84% provision cover against loans and advances.
- Strong in remittances business having a high market share.
- Capable, motivated, and loyal workforce.
- Strong brand blended with Sri Lankan culture.

O

Opportunities

- Opportunity for consolidation through Mergers and Acquisitions.
- Leverage strategic partnerships with service providers, Fintech companies driving business growth and expanding offerings.
- Regulator fast tracking tech adoption through digital banking, cashless payments, e-KYC, fintech, sandbox, crypto, etc.
- Opportunity to extend credit to new growth sectors in the economy such as Exports, Logistics, Energy and Power, Manufacturing, Local industries, supported by the government.
- Target new segments like High Net Worth Individuals and Non-Resident Sri Lankans with new products and services.
- Market expansion to beyond geographical boundaries using new technology such as Blockchain together with high level of IT experts to drive hyper growth.
- Digitise Customer Journeys to enhance customer experience.
- Build data and analytics capabilities.
- The Bank can also look to target the attractive and rapidly growing capital market opportunities in Sri Lanka and off-shore.

SWOT

Weaknesses

W

- Pressure on high NPAs (Non-Performing Advances) due to adverse economic conditions.
- Less opportunities in Retail and SME sector due to prevailing economic environment.
- Pressure on the capital base due to adverse economic conditions.
- Shrinking economy limiting business opportunities.
- Low motivation of staff due to adverse economic and social conditions.

Threats

T

- Strong Mobile Operator infrastructure capable of tapping into banking payments and deposit/lending business.
- Fintechs with potential to disrupt the entire financial services market.
- COVID-19 and the resultant global uncertainty having a disruptive impact on the global and local economy.
- Weak near-term economic outlook in Sri Lanka due to fiscal and external imbalances.
- Possibility of a Rating downgrade affecting our borrowing rates and terms, including attraction of foreign currency deposits.
- Price controls of certain goods, trading, import, and distribution activities impacting business volumes and repayment capacity of some borrowers.
- Negative economic outlook can result in bad loans and high NPAs.
- Stress on bank cash flows due to ad-hoc moratoriums and NPAs.
- Increased Cyber Security threats.



BUSINESS

Safeguarding Credit Quality

- Prudent lending approach coupled with additional precautionary measures to manage the Bank's overall exposure to the Retail sector.
- Stringent management of the Bank's concentration risk to the housing and condominium sectors and other risk elevated industries.
- Establishment of a specialised Credit Nursing Unit to offer credit counselling and business advisory services to support customer rehabilitation efforts.
- Conservative approach to curtail credit card issuance in order to minimise the vulnerability of the card portfolio to economic shocks.
- Prudent approach to impairment provisioning in line with the Stage-wise classification (Stage 1, Stage 2 and Stage 3) under the SLFRS 9 (Financial Instruments) accounting standard.

Driving Loan Growth

- Selective lending with new credit facilities granted mainly to multinational corporates and local corporates with a strong issuer rating to encourage investment in local manufacturing and export related sectors.
- SME lending to drive investment in modern agriculture, information technology, e-commerce and education.
- Aggressive campaign to grow the pawning portfolio.

Analysis
2022

STRATEGIC THEMES



BUSINESS

Improving Fee-based Income

- Focus on promoting “Sampath e-remittance”, as a convenient, fast and cost effective solution for Sri Lankans living overseas, to remit money to the country safely and legally.
- Initiated a Trade Assistance Programme in partnership with the India Exim Bank to enhance trade facilitation services offered to local importers.
- Set up an internal advisory team to offer specialist advice to exporters.
- New customer acquisition strategy focused on Multinational corporates and rated corporates.
- Ongoing efforts to grow digital transaction volumes among retail and corporate customers.

Managing Cost of Funds

- Emphasis on growing retail savings.
- Promote Cash Management Solutions to corporates in order to improve overall CASA ratio.
- Preserving Foreign Currency Liquidity.
- Prudent management of the Bank's Net Open Position by curtailing spot and forward sales.
- Restricted foreign currency lending with priority credit facilities extended to importers of essential items.

Effective Risk Management and Control

- Updating the Bank's credit risk criteria in line with the Banking Act Direction No. 13 of 2021.

- Revision of the credit risk stress testing methodology in line with the SLFRS 9 framework thus replacing the conventional asset classification guidelines with the new Stage-wise (Stage 1, Stage 2 and Stage 3) breakdown.

- Implementation of Recovery Plan (RCP) to safeguard Bank's financial position from internal and external stress conditions, in compliance with the Banking Act Direction No. 09 of 2021.

Stringent Capital Planning and Liquidity Management

- Review and updating the Bank's contingency funding plan.

Strengthening Governance Systems

- Roll out of a Board-approved new Cloud Computing Policy encapsulating the requirements of the latest version of the ISO 27001:2013 standard and the Banking Act Direction No. 16 of 2021 on “Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks”.
- Implemented the new Policy on Anti-Bribery and Corruption (ABC Policy) and further strengthened the Policy on Accepting and Presenting of Gifts and Favours (Gift Policy) to reinforce the culture of ethics.
- The privacy policy on the Bank's corporate website was updated to comply with the requirements of the Personal Data Protection Act No. 9 of 2022.



TECHNOLOGY

Enhancing Internal System Efficiency

- Documentation and internal record keeping processes were digitalised.
- End-to-end automation of work streams under the FINDAS - Finance workflow automation module and TTDAS - International Operations module.
- Introduced RPA (Robotic Process Automation) to automate the workload of operational support units such as the Network Services Centre, Credit Administration and e-Remittance.
- Launch of the cloud migration programme to move all non-core internal processes to the cloud-based environment, including the Human Resource Information System (HRIS) and the Learning Management System (LMS) platform “Vidvan”.

Aligning with Information Security Best Practices

- Obtained the ISO 27001:2013 recertification for a further 3-year period (2022 - 2025).
- Investment in the latest Data Leakage Prevention (DLP) solution offering for data security.

Updating Digital Customer Interfaces

- Significant investments to acquire necessary hardware, software and equipment to expand the network of digital banking centres.



PEOPLE

Driving Employee Productivity

- Designing and developing of a fully automated new Performance Management System and Performance Based Bonus Scheme to dynamically record, monitor and rate employee performance on an ongoing basis.
- 124,304 training hours were provided to elevate employee skills.
- Back-office functions at branches were centralised and brought under the control of relevant authorities to enable branch teams to be redeployed towards more value adding tasks, including driving core business activities.

Supporting Employee Wellbeing

- Upward revision of travel and accommodation allowances to assist employees to overcome inflationary pressures.
- Provision of free transport to enable employees to commute to work despite fuel shortages.
- Invested Rs 8.7 Mn to update fitness equipment at the Head Office gymnasium.
- Dedicated doctor for the Bank staff to obtain free of charge online and physical consultation.
- The "Helping Hands" counselling cell was revamped with its management handed over to a team of specialist third party counsellors accessible 24/7 via the special counselling hotline.

- Installed 12 new dual-function CRMs, in line with the Bank's efforts to enhance customer convenience and reduce cost by minimising cash replenishments.

- Introduction of video agent consoles to facilitate self onboarding of customers at digital banking centres.

- Improvements to the Sampath Vishwa Corporate online banking platform to increase connectivity with a larger number of government institutions.

Enhancing Customer Convenience

- Introduction of the Green PIN - a safe and secure mechanism to allow customers to change their debit card PIN using any Sampath Bank ATM.
- Launch of the Sampath iPIN self onboarding facility which enables customers to register for the Sampath Vishwa online banking platform using their debit card PIN.
- Completed the QR integration to the Bank's IPG to simplify the scanning experience for QR-driven online transactions.

Supporting the CBSL's Technology Integration Roadmap

- The Bank formed a Partnership with Paycorp International (Private) Limited to promote QR-based payments.



SUSTAINABILITY

Promoting Financial Inclusion

- Introduction of a network of 1,300+ eZ Banking agents in partnership with Dialog Axiata PLC.

Community Empowerment

- 4 new projects and 2nd phase of the restoration of Nalawagama Wewa were undertaken during the year under the "Wewata Jeewayak" tank restoration programme of the Bank.

Climate Action

- Credit facilities in excess of Rs 10.3 Bn were extended to develop Sri Lanka's NCRE (Non-Conventional Renewable Energy) Sector.
- Commissioned the National Cleaner Production Centre of Sri Lanka (Sri Lanka NCPC) to conduct an Eco Office Audit/ Waste Audit at the Head Office.
- Obtained independent verification for 2022 GHG Inventory Report, marking the commencement of Sampath Bank's commitment to achieve Net Zero status.

Green Finance Taxonomy and Its Readiness

- Appointment of an ESMS (Environmental and Social Management System) external consultant to advise the Bank on developing appropriate policies and guidelines to conduct business in line with the recommendations of the CBSL directive on Sustainable Financing Activities for licensed banks.

OUR APPROACH TOWARDS SUSTAINABILITY



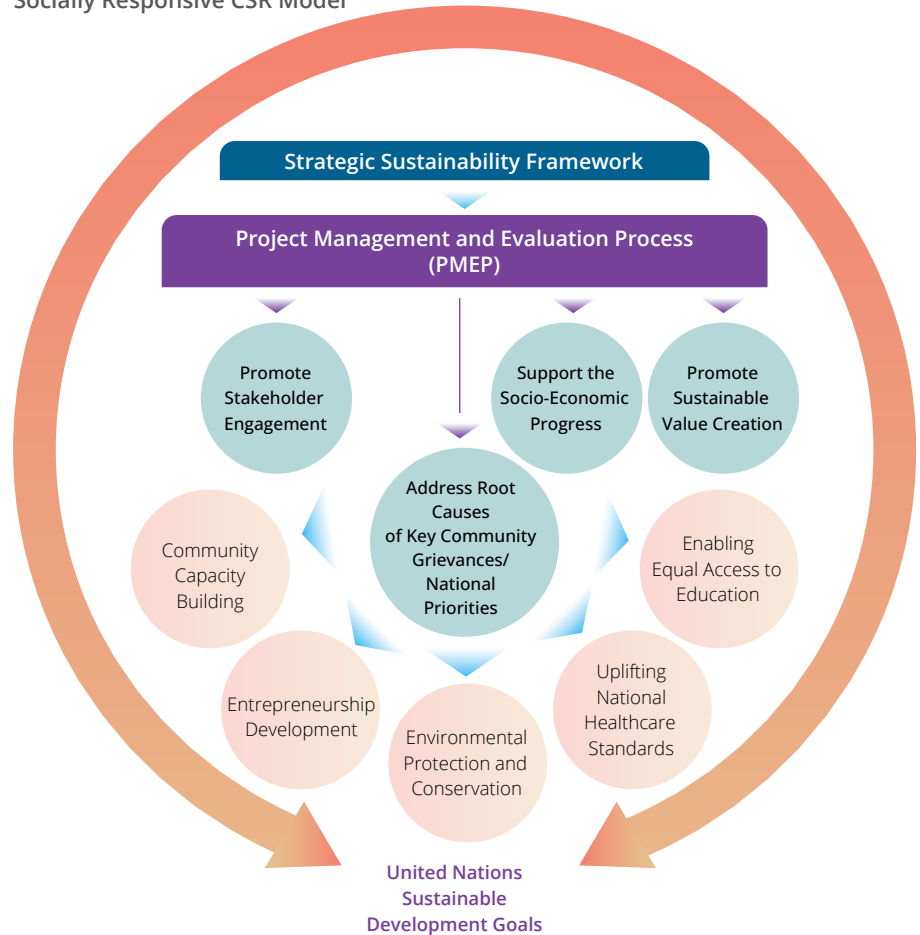
Strategic Sustainability Framework creates a platform to ensure the Bank's ESG architecture is continuously evolving in order to safeguard the wellbeing of communities and the environment, now and in the future.

Sampath Bank's Strategic Sustainability Framework

As a leading Bank in Sri Lanka, Sampath Bank has consistently articulated its commitment to assist in the national sustainability drive. By looking at its operations through a 360° lens, the Bank has continued to reform its approach to measure its overall performance in terms of the triple bottom line, thus going beyond profit to consider the actual business impact on people and the planet as well. On this basis, the Bank has implemented a Strategic Sustainability Framework to ensure that the pursuit of profit is not at the expense of the environment or the wider society.

The Bank's Strategic Sustainability Framework is structured as a multi-purpose tool that on one hand seeks to deepen Environmental, Social and

Socially Responsive CSR Model



► GRI 2-9,12,13,14,16,17,18

Governance (ESG) integration into the day-to-day operations of the Bank via a comprehensive Environmental and Social Management System (ESMS) while on the other hand, tackling broader social and environmental issues through its Socially Responsive CSR Model. In this way, the Strategic Sustainability Framework creates a platform to ensure the Bank's ESG architecture is continuously evolving in order to safeguard the wellbeing of communities and the environment, now and in the future.

Sustainability Governance

The operational efficacy of the Strategic Sustainability Framework is assured through a top-down governance approach in place. The Board remains the ultimate decision making authority on the Bank's Sustainability priorities and in doing so considers the expert advice and recommendations of the Board Marketing Committee, where necessary.

The Sustainability Committee led by the Managing Director operates under the delegated authority of the Board in providing oversight for all sustainability and CSR matters. The Sustainability Committee also serves as a liaison between the Board Marketing Committee and Operational Teams.

Two-tier Governance Structure for Corporate Sustainability

Board of Directors

Board Marketing
Committee

Managing Director

Sustainability Committee

Executive Director/
Chief Financial Officer

Chief Human Resource
Officer (Chairman)

Assistant General Manager -
Special Projects &
Syndications

Chief Manager -
Marketing

Corporate Sustainability
Department

Under the guidance of the Sustainability Committee, the Corporate Sustainability Department (CSD) gets involved in planning, implementing and monitoring of sustainability initiatives. As part of this process, each project is put through a comprehensive Project Management and Evaluation Process (PMEP) by the CSD to determine its capacity to achieve one or more of the stated objectives of the Socially Responsive CSR Model, which is developed through the CSR policy and CSR procedure of the Bank.

Continuous and ongoing training and awareness is a key pillar of the Bank's overall approach to sustainability governance. The "Vidvan" e-learning

platform continues to be widely used to conduct regular trainings to enhance the collective knowledge of Team Sampath on socio-economic and environment sustainability, especially on ESG related topics.

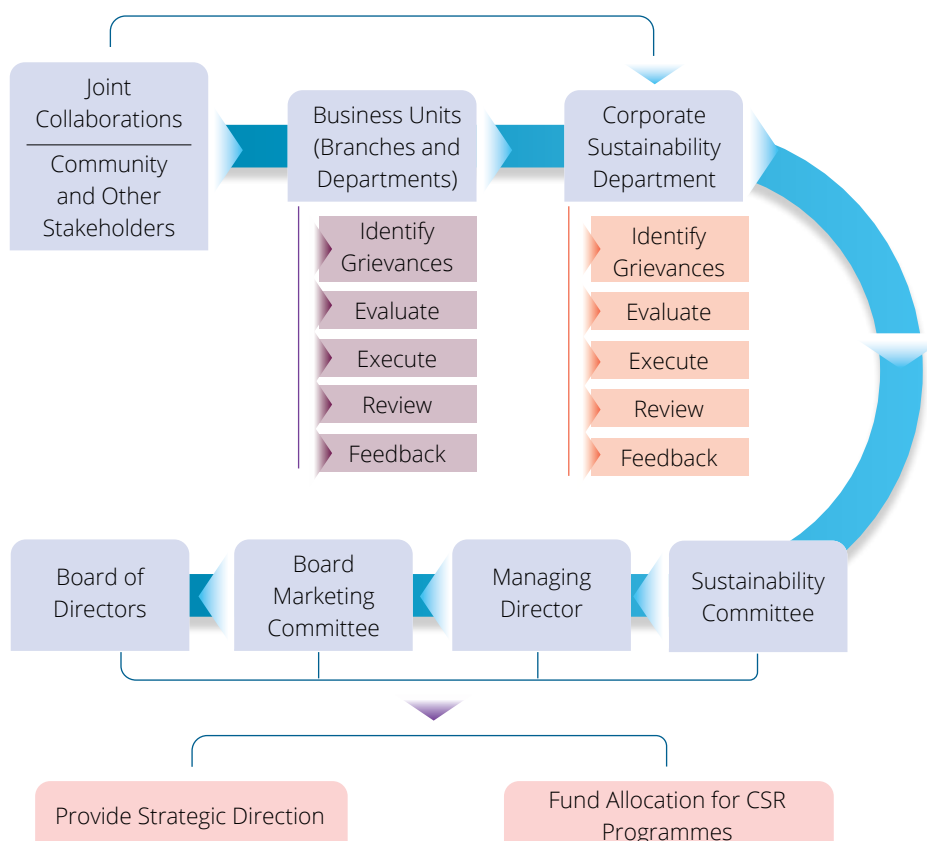


TV discussion on "Philosophy behind Sustainability" with the Chairman of the Sustainability Committee of the Bank

Project Management and Evaluation Process

► GRI 2-16

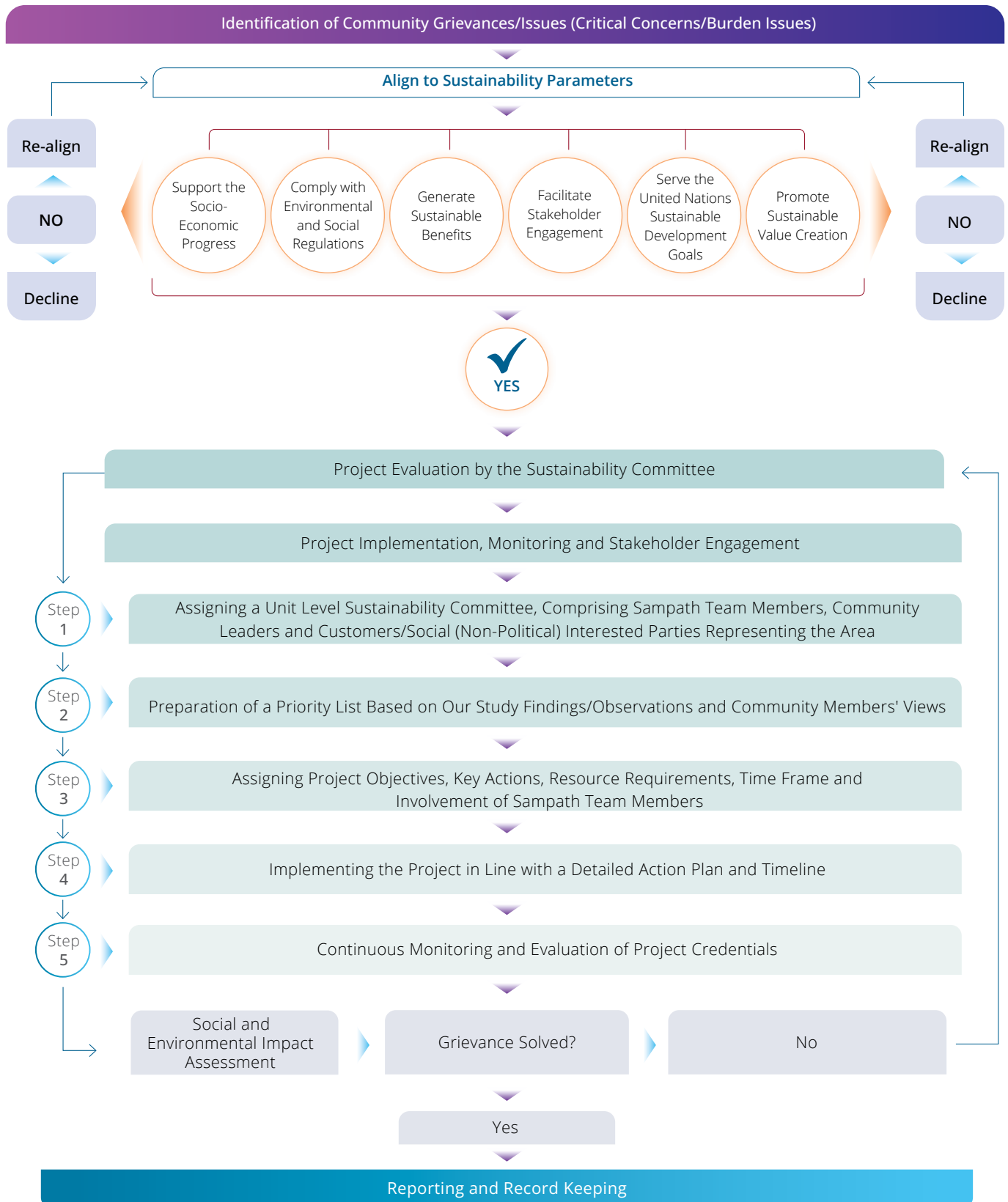
Project Management Process



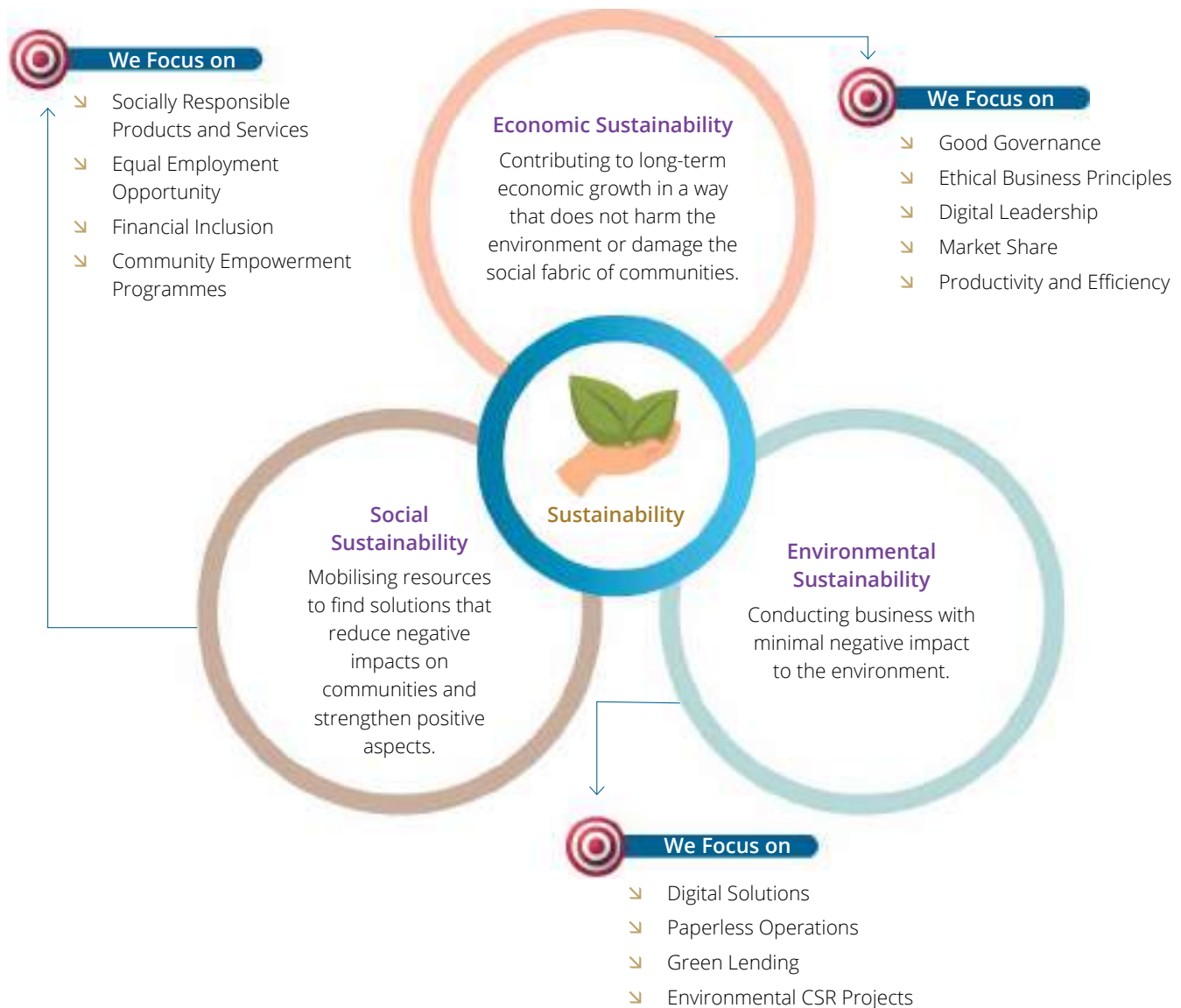
OUR APPROACH TOWARDS SUSTAINABILITY

Comprehensive Project Evaluation Process

► GRI 2-16,25



Three Pillars of Sustainability



We Create Value for

Investors



Employees



Customers



Communities



Suppliers



Government



OUR APPROACH TOWARDS SUSTAINABILITY

Sustainability Priorities for 2022

► GRI 413-1

Green Finance Taxonomy and its Readiness

The ESMS Implementation Committee was formed with the intention of strengthening ESMS integration at all levels of the Bank. One of the main focus areas for the Committee in 2022 was to ensure implementation of the regulatory framework for sustainable financing activities in compliance with Sri Lanka Green Finance Taxonomy guidelines issued by the CBSL. An external consultant was appointed to advise and assist the Committee in this regard. The Bank also began the process of recruiting an environmentalist to ensure ongoing compliance with all required standards across the Bank's operations and lending

model and also to provide advisory services to the Bank's customers to help them integrate environmental and social assessment concerns as part of their business models.

Increasing Access to Financial Assistance for Investment in Renewables

Financing of new renewable energy projects: Rs 5,576 Mn (Solar: Rs 626 Mn, Wind: Rs 4,950 Mn).

Digitalisation Agenda

Year-on-year reduction in paper usage due to digitalisation and automation initiatives.

Sustainable
Financing and
Green Banking
Concepts

Best Practices

Obtained independent assurance to reaffirm that the 2022 GHG Inventory report is in alignment with ISO 14064-1:2018.

Net Zero Transition

Tied up with the National Cleaner Production Centre of Sri Lanka (NCPC, Sri Lanka) to explore appropriate solutions to drive resource efficiency and enable the Bank to transition into a zero-waste organisation.

Advancing
Climate Action

Community Capacity Building

Commenced 4 new tank restoration projects and 2nd phase of restoration of Nalawagama Wewa under the "Wewata Jeewayak" tank restoration programme.

Promoting Financial Inclusion

Introduction of 1,338 eZ Banking agents in partnership with Dialog Axiata PLC.

Facilitating to E-commerce

Facilitating to promote the mainstream use of LankaQR for online payments in partnership with our Internet Payment Gateway service provider, Paycorp International (Pvt) Limited.

Community
Empowerment
Activities

Business Resilience Measures to Safeguard against Cyber Threats

Information Security System Efficacy

Secured ISO 27001:2013 certification for a further 3 year period (2022 - 2025), conducted the Annual Information Security Risk Assessment covering 62 business units and 15 branches, appointed an

independent third party to implement the SWIFT Customer Security Programme (CSP) in order to improve due diligence in the SWIFT system, commenced the implementation of ISO/IEC 22301, ISO/IEC 27035 and ISO/IEC 20000.

Protecting the Wellbeing of People and Communities During the Economic and Fuel Crisis

Free Transport Facility and Flexible Working Arrangements

Enable team members to report to their assigned work location and Work From Home and Work From Nearest Branch arrangements.

"Sampath Saviya" Business Startup Advisory Service

A dedicated internal advisory team to offer guidance regarding the business registration process, information to connect with the relevant institutions and other vital information for new startup entrepreneurs.

"Cycle to Work" Initiative

Promote cycling habit among team members.

Launch of "Tap & Go" Tourist Fuel Pass

A prepaid card system for foreign nationals to use US Dollars to purchase fuel.

Focus on Emergency Preparedness in Uncertain Times

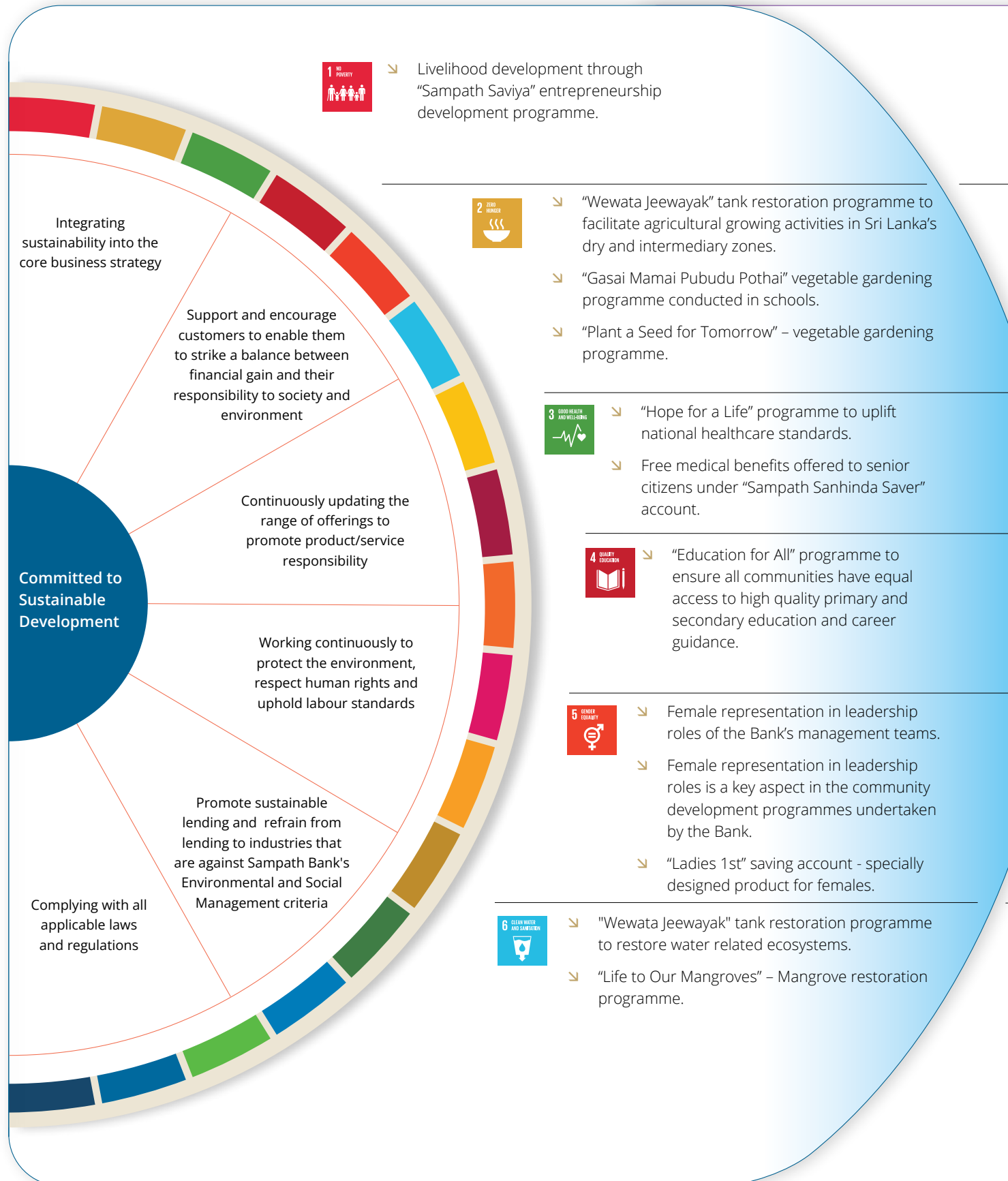
Business Continuity Planning

Formulating a Recovery Policy setting out detailed protocols along with appropriate governance and oversight structure to be activated in an unforeseen event.

OUR APPROACH TOWARDS SUSTAINABILITY

Principles that Drive Our Commitment to Sustainable Development

► GRI 413-1





- Promote sustainable lending through financing to renewable energy sector.
- Invest in solar migration projects at branches to increase the share of renewable energy in the Bank's overall energy mix.



- Internship opportunities and career guidance for school leavers and undergraduates.
- All confirmed employees were granted a 10.5% annual salary increment.



- Launched 'Sampath Bank iPIN', the latest trend to self-onboard with Sampath Vishwa online banking facility.



- Provide equal opportunities for all employees.
- Zero tolerance of any form of unfair discrimination on the basis of race, gender or disability.
- Ratio of basic salary at the entry level for males and females is 1:1.



- Structured housing loan solutions for customers.



- Year-on-year reduction in paper waste attributed to increased digitalisation.
- Wide range of products and services catering to a range of banking needs also enhancing convenience at affordable prices.



- Invest in emission management and energy management projects at the Bank's Head Office and branch network.
- Biodiversity conservation project at Opatha, Galle
- Contribution to the Wildlife and Nature Protection Society of Sri Lanka.
- Tree planting programmes including "Gasai Mamai Pubudu Pothai", "10,000 Trees Campaign".



- "A Breath to the Ocean" - Oceanic ecosystem restoration programme.
- "Life to Our Mangroves" - Mangrove restoration programme.
- Turtle conservation programme.



- Invest in emission management and energy management projects at the Bank's Head Office and branch network.
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- Contribution to the Wildlife and Nature Protection Society of Sri Lanka.
- Tree planting programmes including "Gasai Mamai Pubudu Pothai", "10,000 Trees Campaign".



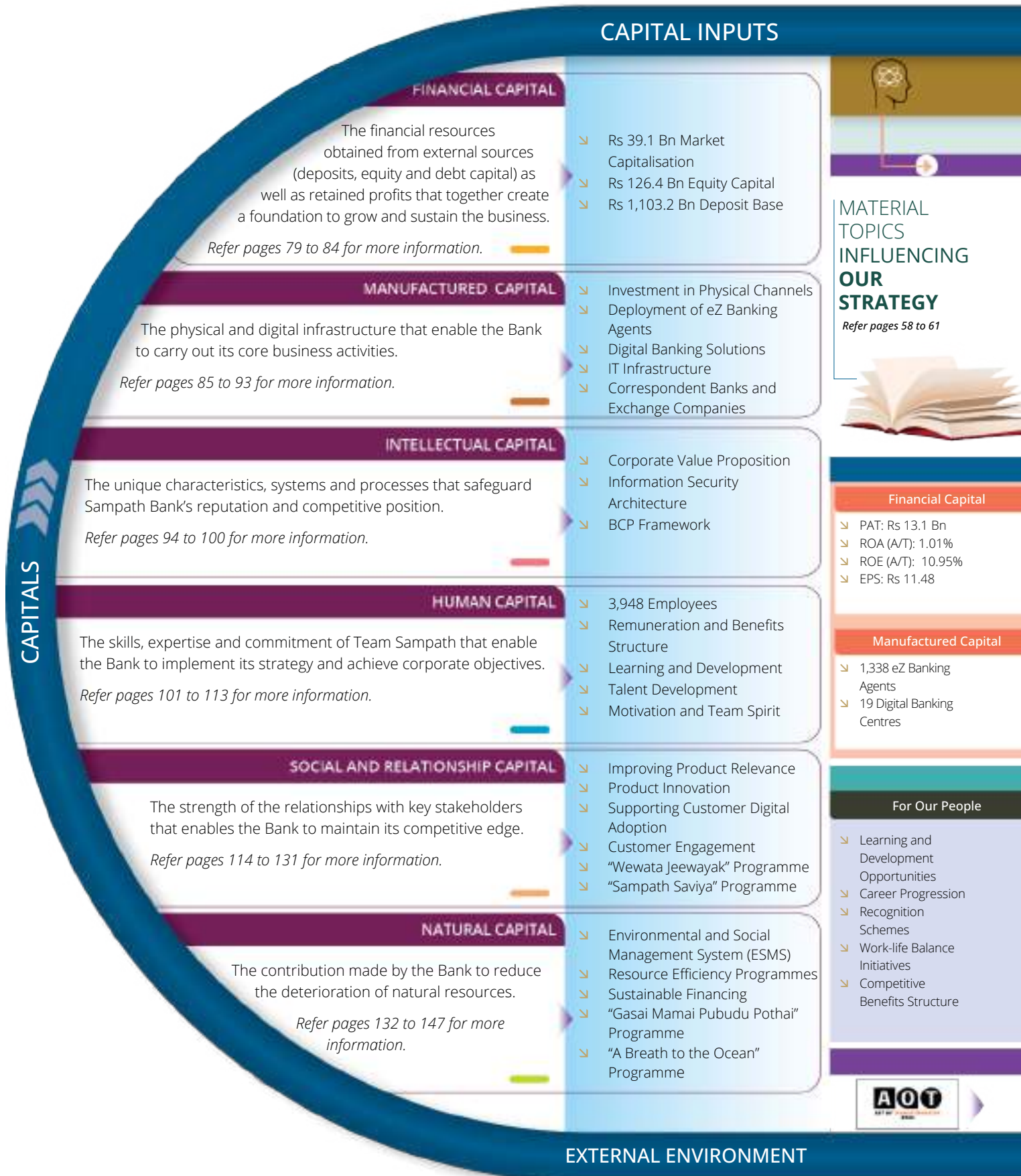
- Vigilance to ensure that Bank's products are not used in the furtherance of financial crime, such as money laundering, financing of terrorism, fraud and corruption.
- Sampath Bank has zero tolerance for bribery and corruption by any Employee or Director.



- Strategic partnerships to address the issues on climate change, water, education, community empowerment and entrepreneurship development.

OUR VALUE CREATING BUSINESS MODEL

➤ GRI 2-6



VALUE CREATION PROCESS

Our Vision To be "The Growing Force in Sri Lankan Financial Services"

VALUES AND CORPORATE CULTURE

STRATEGIC THEMES

Business

People

Technology

Sustainability

STRATEGIC OBJECTIVES

- Competitive Positioning
- Operational Excellence
- Cost Management
- Business Resilience
- Customer Experience
- Corporate Citizenship

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

KEY ENABLERS OF VALUE CREATION PROCESS

Business Lines

- Corporate Banking
- Consumer Banking
- SME Banking

- Global Banking
- Treasury

Support Functions

- Operational Support
- Legal, Administrative and HR Support
- IT and Data Support
- Other Business Units
- Customer Care Centre

OUTPUTS FOR CAPITALS

Intellectual Capital

- Best Commercial Bank and Best Retail Bank 2022, Sri Lanka - World Finance Banking Awards, UK
- 1st Runner-up - Best Corporate Citizen Sustainability Awards 2022
- Most Loved Banking Brand - LMD Brands Annual 2022
- Overall Gold Award - National ICT Awards (NBQSA) 2022
- Dragons of Asia 2022 Awards
- LankaPay Technnovation Awards 2022
- CSR Brand of the Year - SLIM Brand Excellence 2022
- Market Leader - CSR, Sri Lanka - Euromoney Magazine 2022
- Best Bank for CSR, Sri Lanka - Asiamoney Magazine 2022

Human Capital

- Profit per Employee: Rs 3.33 Mn
- Staff Promotions: 197
- Investment in Training and Professional Studies: Rs 56.6 Mn

Social and Relationship Capital

- Persons Benefitted under the "Wewata Jeewayak" Programme: 4,370
- Persons Benefitted under the "Hope for a Life" Programme: 7,440
- Free Medical Benefits offered under "Sampath Sanhinda Saver" Account: Rs 211 Mn
- Loyalty Points offered for Sampath Credit Cardholders: Rs 288.4 Mn

Natural Capital

- Solar Power Generation through Branch Network: 348,775 kWh
- Cost saving through Slipless Banking and Cash Deposit Machines: Rs 406.2 Mn
- Financing of Renewable Energy Projects: Rs 5,576 Mn
- Carbon Footprint of the Bank: 11,645 tCO₂e

VALUE WE CREATE

For Our Bank

- Higher Business Volumes
- Strong Competitive Positioning
- Increased Customer Loyalty
- Higher Customer Satisfaction
- Enhanced Brand Value
- Greater Employee Satisfaction
- Reputation as an Employer of Choice
- Long Term Business Partnerships

For Our Investors and Shareholders

- Net Asset Value per Share: Rs 110.44
- Gross Dividend: Rs 5,264 Mn
- Dividend per Share: Rs 4.60
- Dividend Yield: 13.45 %
- Interest Paid on Debentures: Rs 3.2 Bn

For Our Customers

- Customer Convenience
- Better Reach and Accessibility
- Financial Inclusion

For Our Local Communities

- Provide Internship Opportunities
- Groom Young Business Leaders
- Commenced 4 New Tank Restoration Projects and 2nd Phase of Nalawagama Tank Restoration Project

For Our Environment

- 536 Trees Saved through Slipless Banking and Cash Deposit Machines
- 15,367 Trees Planted through Environmental CSR Programmes

For the Government

- Taxes Paid: Rs 14.9 Bn

WAY FORWARD

Art of Transformation

Rethink, Reconfigure, Rescale

OPPORTUNITIES AND CHALLENGES

GOVERNANCE FRAMEWORK, COMPLIANCE AND RISK MANAGEMENT

MATERIAL TOPICS

► GRI 3-1,3



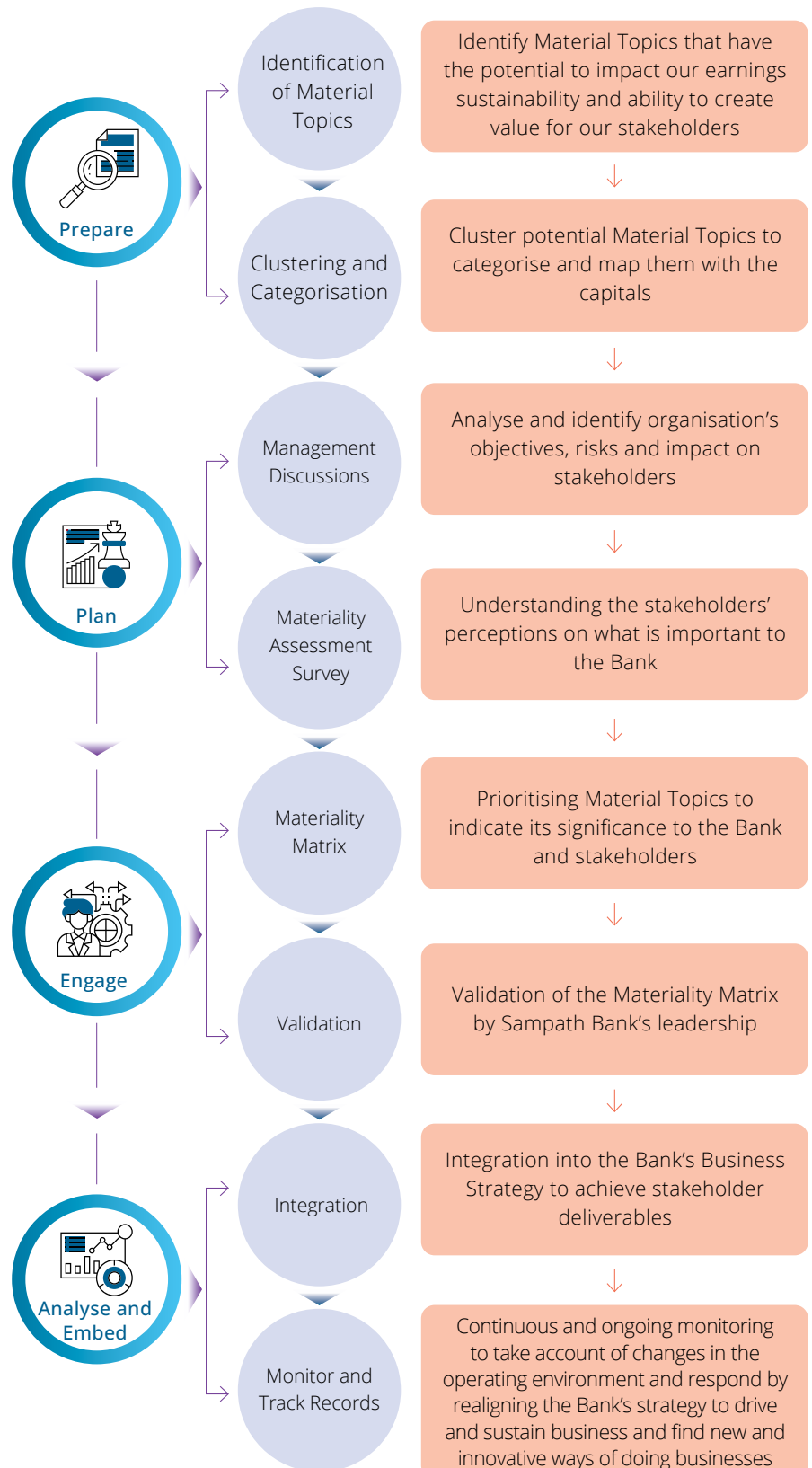
Unprecedented economic, social and political challenges prompted the Bank to consider “Macroeconomic Headwinds” as a new Material Topic for 2022.

Materiality

The principle of Materiality draws attention to the most significant aspects that affect the Bank's ability to create and preserve value over time and therefore the management is of the view that having a good understanding of what is Material, helps business units to focus their attention to ensure such matters receive top priority in the Bank's strategic planning and risk management processes. Information what is material is obtained in many ways - by assessing the risks and opportunities in immediate operating environment, studying the changes to legal and regulatory frameworks, analysing global trends, scrutinising research reports and other published information as well as through insights gained from stakeholder interactions.

Information obtained through these sources are further analysed to determine the significance of each topic by comparing the probability of its occurrence against the magnitude of its impact. The Annual Materiality Assessment is the primary tool that facilitates the determination of Material Topics.

Our Materiality Monitoring Process



GRI 3-2

Changes to Material Topics in 2022

The findings from the 2022 Materiality Assessment indicated that 21 Material Topics identified in previous years' remained relevant for Financial Year (FY) 2022 as well. The topic referring to the "COVID-19 pandemic and its impact" which was discussed in the FY 2021 Report was no longer considered to be material as the pandemic had seemingly dissipated by end of 2021.

However, a new Material Topic titled "Macroeconomic Headwinds" was deemed important enough to be included as a new Material Topic. The rationale for this inclusion stems from the need to consider possible realignment of the Bank's strategy in response to the risks posed by the unprecedented economic crisis that erupted in early 2022 along with the civil unrest, fuel and energy shortages and political instability, all culminating in a never-before-seen level of uncertainty in the country.

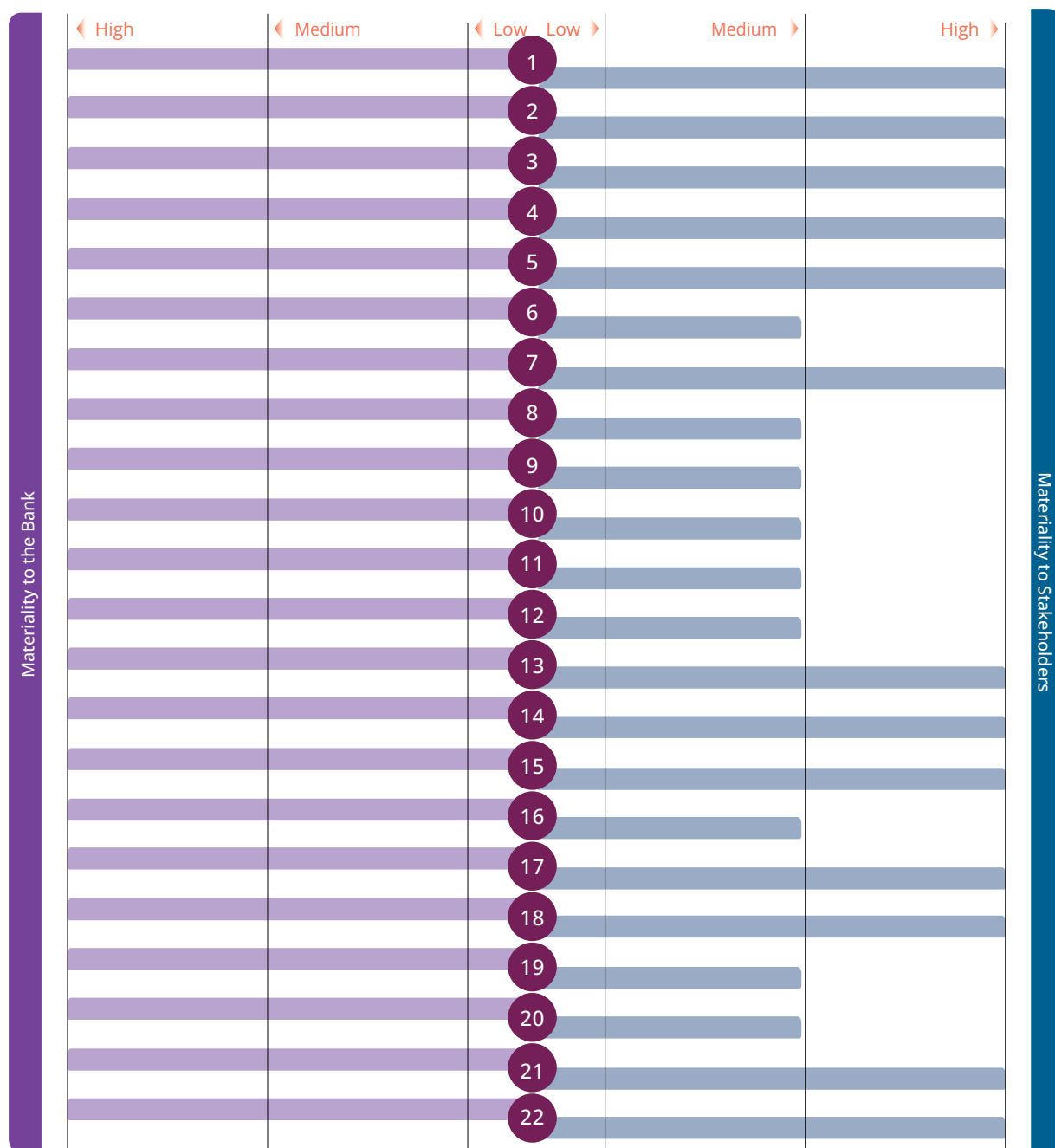
Material Topics		Level of Materiality		Topic Boundary	GRI Relevance	Linked to Strategy through	Page Reference to Management Approach
		To the Bank	To Stakeholders				
Economic Topics							
1	Profitability and financial stability	H	H	Internal/ External	201, 203, 207	Financial Capital	477
2	Macroeconomic headwinds	H	H	Internal/ External	n/a	All Six Capitals	478
3	Physical channels	H	H	Internal/ External	202	Manufactured Capital	478 - 479
4	Digitalisation agenda	H	H	Internal/ External	n/a	Manufactured Capital	479
5	Business continuity planning	H	H	Internal/ External	n/a	Intellectual Capital	480
6	Corporate brand image/goodwill building	H	M	Internal/ External	n/a	Intellectual Capital	480 - 481
7	Information security	H	H	Internal/ External	418	Intellectual Capital	481
Social Topics							
8	Talent acquisition and management	H	M	Internal	401, 405	Human Capital	482 - 483
9	Learning and development	H	M	Internal	404	Human Capital	483 - 484
10	Employee relations	H	M	Internal	402	Human Capital	484 - 485
11	Employee engagement	H	M	Internal	n/a	Human Capital	485
12	Employee health and safety	H	M	Internal	403	Human Capital	486
13	Anti-corruption practices	H	H	Internal/ External	205	Human Capital	486 - 487

MATERIAL TOPICS

Material Topics	Level of Materiality		Topic Boundary	GRI Relevance	Linked to Strategy through	Page Reference to Management Approach
	To the Bank	To Stakeholders				
14 Customer convenience	H	H	Internal/ External	n/a	Social and Relationship Capital	487 - 488
15 Customer health and safety	H	H	Internal/ External	205, 416	Social and Relationship Capital	488 - 489
16 Sales promotions, marketing communication and information availability on Bank's products and services	H	M	Internal/ External	417	Social and Relationship Capital	489
17 Customer privacy	H	H	Internal/ External	418	Social and Relationship Capital	489 - 490
18 Complaint management	H	H	Internal/ External	418	Social and Relationship Capital	490 - 491
19 Research and development	H	M	Internal/ External	n/a	Social and Relationship Capital	491 - 492
20 Financial inclusion agenda	H	M	Internal/ External	n/a	Social and Relationship Capital	492 - 493
21 Community development	H	H	Internal/ External	413	Social and Relationship Capital	494
Environmental Topics						
22 Environment protection and conservation	H	H	Internal/ External	302, 305	Natural Capital	495 - 496

 High
  Medium
  Low

Materiality Matrix



CONNECTING WITH OUR STAKEHOLDERS

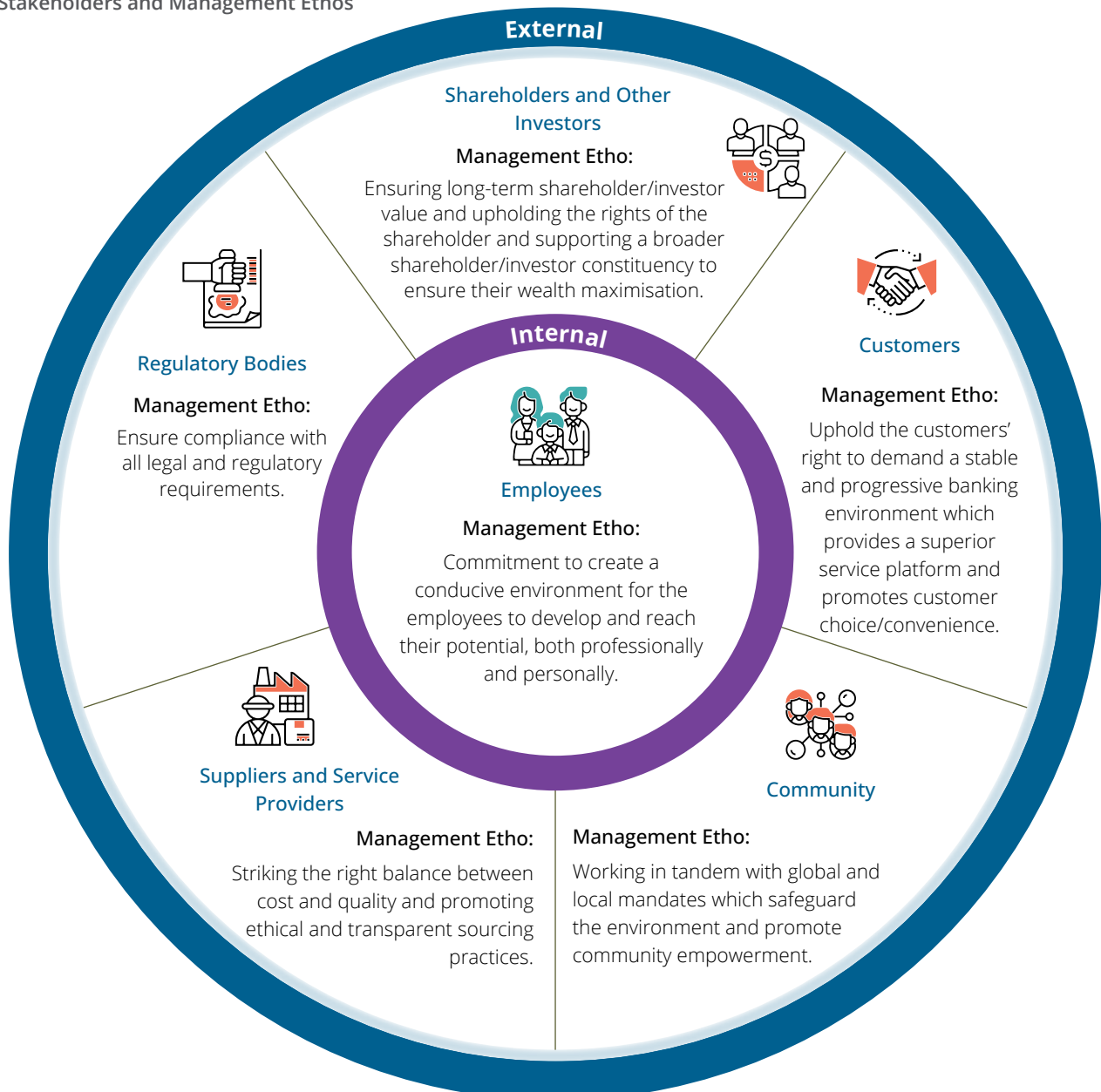
► GRI 2-29

As a financial services provider, relationships are a fundamental part of the way we operate and we believe that by understanding the most pertinent to our stakeholders, we are able to respond appropriately to deliver their expectations. Equally importantly, listening, engaging and partnering with stakeholders helps to reorient our business strategies to create positive outcomes for the environment and the wider society.

Being a large-scale banking institution, Sampath Bank has numerous stakeholders, who for practical reasons have been classified as internal and external. Internal stakeholders are employees, while external stakeholders are further segregated based on how they link to our core business across our value chain and/or how their actions affect the Bank's ability to achieve its objectives.

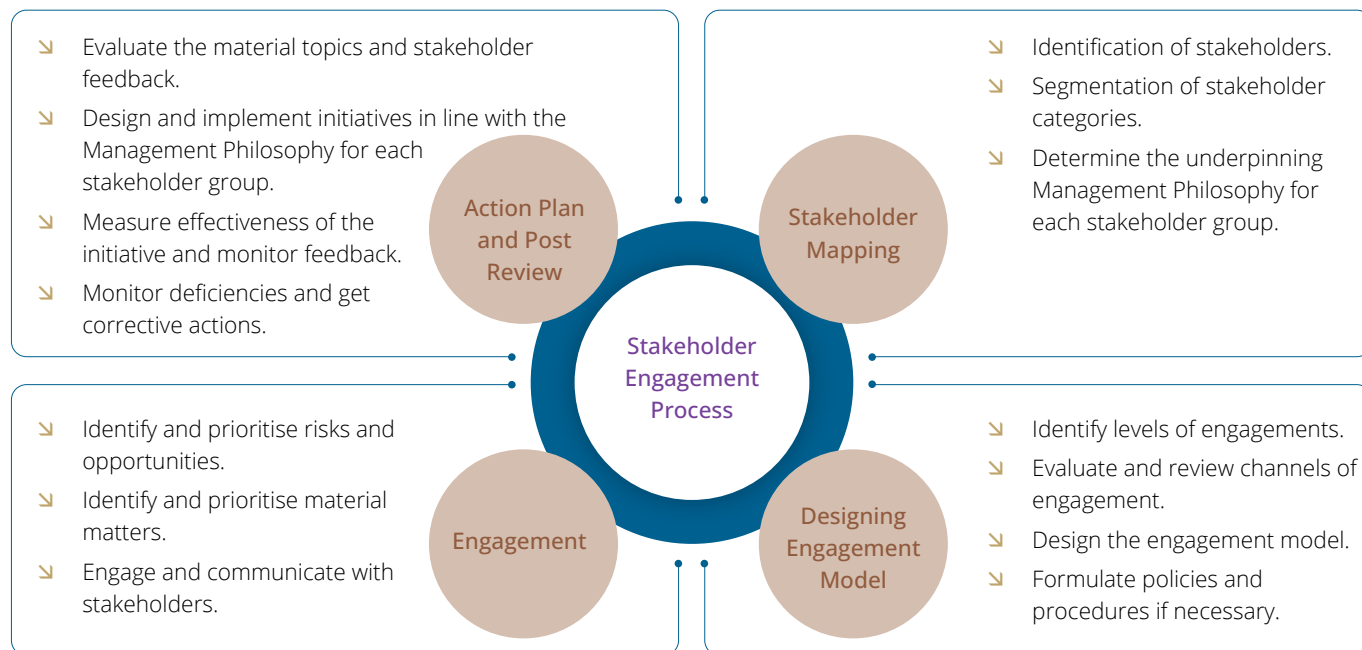
A stakeholder-specific management ethos supports our endeavour to connect with and earn the trust of stakeholders.

Our Stakeholders and Management Ethos



Stakeholder Engagement Process

Given the diverse needs and expectations of our various stakeholder groups, we readily acknowledge that a one-size-fits-all engagement strategy is unsustainable and therefore have implemented stakeholder-specific approaches to identify stakeholder perceptions, understand their expectations and find bespoke solutions for their concerns. Moreover, we also use these engagement mechanisms as an opportunity to report back on our progress, and review stakeholder satisfaction on actionable initiatives taken by the Bank.



Memberships of Associations

➤ GRI 2-28

Sampath Bank PLC held membership of the industry based associations as well as national and international advocacy organisations with the motive of maintaining sustainable relationships with stakeholders and contributing to the betterment of the industry and nation as a whole.

Name of the Association	Membership Status
The American Chamber of Commerce in Sri Lanka	Member
Association of Compliance Officers of Banks, Sri Lanka	Member
Association of Primary Dealers (APD)	Member
Clearing Association of Bankers	Member
Exporters' Association of Sri Lanka	Member
International Chamber of Commerce - ICC Sri Lanka	Member
Italian Business Council	Member
Lanka Clear (Pvt) Limited	Member
Lanka Financial Services Bureau (LFSB)	Member
Lanka SWIFT User Group (LSUG)	Vice Chairman and Treasurer
Leasing Council of Bankers of Sri Lanka	Member
National Chamber of Exporters of Sri Lanka	Member
Payment Card Industry Association of Sri Lanka	Executive Committee Member
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	Member
Sri Lanka Bank's Association (Guarantee) Limited	Member
Biodiversity Sri Lanka	Patron Member
Sri Lanka Forex Association (SLFA)	Member
The Association of Banking Sector Risk Professionals - Sri Lanka	Member
The Ceylon Chamber of Commerce	Patron Member
The Employers' Federation of Ceylon	Member
The Financial Ombudsman Sri Lanka (Guarantee) Limited	Member
The National Chamber of Commerce of Sri Lanka	Member

CONNECTING WITH OUR STAKEHOLDERS

Stakeholder Engagement Mechanism

Shareholders and Other Investors		Value Distributed to Shareholders and Other Investors					
Market Capitalisation: Rs 39.1 Bn		Return on Equity (A/T): 10.95%		Earnings per Share: Rs 11.48		Gross Dividend: Rs 5.3 Bn	
Priorities/Expectations Relevant to the Stakeholder	Engagement Mechanism	Engagement Frequency					
		Annually	Quarterly	Periodically	Regularly	24 hours 7 days	As and When Required
➤ Shareholder engagement with the Board	Shareholder relations forums			✓			
➤ Shareholder views on key governance and policy matters	General meetings	✓		✓			
	Annual Report	✓					
➤ Development of shareholder communication channels	Interim Financial Statements		✓				
	Disclosures and announcements to the CSE			✓			
➤ Return on equity and interest gains	Corporate website						✓
➤ Strategy and business continuity	General correspondence				✓		
➤ Financial performance	CSR projects				✓		

Our Strategic Response to the Stakeholders	Specific Stakeholder Priorities for 2022
➤ Maintaining a consistent bottom line ➤ Ensuring a sustainable return on investment ➤ Engaging in greater transparency in line with the Corporate Governance Codes ➤ Maintaining the Bank's reputation and credibility ➤ Safeguarding asset quality	➤ Financial resilience, managing liquidity, credit risk, capital adequacy and discretionary costs amidst the economic crisis ➤ Managing the Net Interest Margin (NIM) on the back of rising interest rates ➤ Safeguarding long term Asset Quality in light of economic uncertainty for the foreseeable future

Our Response:



Financial Capital
Pages 79 - 84



Social and Relationship Capital
Pages 114 - 131



Intellectual Capital
Pages 94 - 100

Community

Value Distributed to Community

Beneficiaries from CSR Projects:
82,535

Investment on CSR Projects:
Rs 31.3 Mn

Volunteered Employees Engaged:
2,743

Priorities/Expectations Relevant to the Stakeholder	Engagement Mechanism	Engagement Frequency					
		Annually	Quarterly	Periodically	Regularly	24 hours 7 days	As and When Required
- Community capacity building - Community empowerment - Social welfare of communities - Environmental protection and conservation - Preservation of local culture	Ground level interactions with community leaders by staff				✓		
	Interactions with social groups and volunteer organisations				✓		
	Community and environment grievance handling mechanism				✓		
	Discussions with government organisations				✓		
	Discussion with other organisations, community and opinion leaders on community development efforts				✓		
	Digital media-based forums				✓		
	CSR projects				✓		

Our Strategic Response to the Stakeholders

Specific Stakeholder Priorities for 2022

- Socially responsive CSR model
- Transparency and Governance
- Community engagement
- Employee volunteerism
- Become a catalyst for change

- Livelihood development amidst the challenges posed by the current economic crisis
- Uplift National Healthcare Standards amidst the challenges posed by the current economic crisis

Our Response:



Social and Relationship Capital
Pages 114 - 131



Natural Capital
Pages 132 - 147

CONNECTING WITH OUR STAKEHOLDERS

Customers		Value Distributed to Customers					
eZ Banking Agents: 1,338	Product Rationalisation Process	“Sanhinda Saver” Free Medical Benefits Provided: Rs 211 Mn			Launching New Products		
Priorities/Expectations Relevant to the Stakeholder	Engagement Mechanism	Engagement Frequency					
		Annually	Quarterly	Periodically	Regularly	24 hours 7 days	As and When Required
➤ Customer service	One-on-one feedback from customers who visit the Bank					✓	
➤ Customer security							
➤ Satisfaction on existing products	Customer surveys conducted via traditional or non-traditional research techniques			✓			
➤ Brand perception and reputation							
➤ Customer convenience	Social media interactions					✓	
➤ Need for innovations and customised solutions	Customer complaint handling mechanism					✓	
➤ Communication methods	ATL (Above the Line), BTL (Below the Line) and digital communications				✓		
➤ Special promotions	Correspondence				✓		
➤ Timely and relevant information on products and services	SMS Alerts					✓	
➤ Customer touch-points	Corporate website					✓	
➤ Customer benefits and rewards	Sampath Vishwa (internet banking) portal					✓	
➤ Loyalty recognition	Customer Care Centre					✓	
	CSR projects				✓		
	Feedback forms - paper based/electronic mediums				✓		
Our Strategic Response to the Stakeholders		Specific Stakeholder Priorities for 2022				Our Response:	
➤ Effective complaint resolution ➤ Maintain service excellence ➤ Deliver technology-driven banking solutions ➤ Continuous introduction of innovative products which promote greater customer convenience ➤ Effective marketing and communication ➤ Maintaining data security and customer privacy ➤ Promoting island-wide customer inclusiveness ➤ Better market share		➤ Provide financial advisory services to assist customers to manage the economic crisis ➤ Improving customer touch points ➤ Increasing customer digital adoption				 Manufactured Capital Pages 85 - 93	
						 Social and Relationship Capital Pages 114 - 131	

Regulatory Bodies

Value Distributed to Government

Tax Expense:
Rs 24 Bn

Promoting Inward
Remittances

Supporting SME Sector Growth

Promote Green Financing

Priorities/Expectations
Relevant to the
Stakeholder

Engagement
Mechanism

Engagement Frequency

Annually

Quarterly

Periodically

Regularly

24 hours
7 days

As and
When
Required

- Proper and prompt action on regulatory requirements introduced from time to time
- Formulate the Bank's policies in line with the broad objectives of the Central Bank of Sri Lanka and Monetary Board

Policy directives/
circulars, guidelines
and operating
instructions



Meetings and forums



Press releases



Periodic and one-off
returns



On-site and off-site
supervision



Training programmes



Our Strategic Response to the Stakeholders

Specific Stakeholder Priorities for 2022

- Compliance with regulations
- Rectification actions on supervisory concerns
- On-time submission of statutory returns and statutory payments
- Response and contribution at meetings/forums and to initiatives of the regulators
- Micro, small and medium entrepreneurs lending and entrepreneurship development
- Supporting the non-conventional renewable energy sector
- Support to maintain stability in money and foreign exchange markets
- Help investors to make better investment decisions

- Deepen the penetration to the SME sector
- Promote inward remittances
- Support the government's digital banking roadmap

Our
Response:



Financial Capital
Pages 79 - 84

CONNECTING WITH OUR STAKEHOLDERS

Employees

Value Distributed to Employees

Internal Staff Promotions: 197	Total Training Hours: 124,304	Investment in Training and Professional Studies: Rs 56.6 Mn	All Employees were Granted 10.5% Salary Increment in 2022

Priorities/ Expectations Relevant to the Stakeholder	Engagement Mechanism	Engagement Frequency					
		Annually	Quarterly	Periodically	Regularly	24 hours 7 days	As and When Required
➤ Ethical employment practices	Open-door policy				✓		
	Employee forums				✓		
	Employee suggestion schemes			✓			
➤ Career development opportunities	Grievance-handling procedure				✓		
	Employee social committees				✓		
	Feedback forms	✓					
➤ Employee communication and feedback	Business unit level meetings				✓		
	Intranet					✓	
	Memorandums/Directives				✓		
➤ Rewards/recognition	Newsletters		✓				
	Training				✓		
	Get-togethers/Events				✓		
➤ Work-life balance	HR Hotline					✓	
	CSR projects				✓		
	Online groups				✓		

Our Strategic Response to the Stakeholders

- Competitive rewards and benefits to attract and retain best talent in the market
- Promote greater diversity and inclusion
- Develop from within through training and development
- Encourage greater engagement
- Performance-based incentives
- Effective handling of grievances
- Maintain high standards of occupational health and safety
- Ensure employees' welfare
- Foster a sense of belongingness

Specific Stakeholder Priorities for 2022

- Support employees to manage the inflationary pressures and address the challenges arising out of the fuel crisis
- Develop and inculcate a Bank-wide performance-driven culture
- Focus on Women Leadership Development

Our Response:



Human Capital
Pages 101 - 113



Social and Relationship Capital
Pages 114 - 131

Suppliers and Service Providers

Value Distributed to Suppliers and Service Providers

Timely Payments

Number of Registered Suppliers:
745Creating Opportunities for Supplier
GrowthPriorities/Expectations
Relevant to the
StakeholderEngagement
Mechanism

Engagement Frequency

Annually

Quarterly

Periodically

Regularly

24 hours
7 daysAs and
When
Required

- Developing strategic partnerships
- Promoting transparent and ethically responsible business practices
- Continuous communication with suppliers and service providers
- Regular reviews on quality of goods and services

Interactions through the purchasing policy

Feedback evaluations

Meetings

Visits to supplier workshops/offices

Written communications (letters and e-mails)

Reviews and assessments



Our Strategic Response to the Stakeholders

Specific Stakeholder Priorities for 2022

- Engaging in fair and equitable procurement
- Supplier risk assessment mechanism
- Contractual agreements to promote sustainable procurement
- Local sourcing
- Registration of multiple suppliers and service providers as a BCP measure
- Maintenance of suppliers and service providers register
- Developing SME entrepreneurs whilst purchasing goods which meet the Bank's standards at a reasonable cost thus enjoying a win-win situation for both the Bank and the supplier

- Supporting our suppliers by making payments on time to manage their finances during the challenging period

Our
Response:

**Social and Relationship
Capital**
Pages 114 - 131

OUR SUSTAINABILITY JOURNEY



2022

2021

- Appointed a professional consultancy firm to strengthen the ESMS and suggest improvements in line with the Green Financing Taxonomy and IFC performance standards.
- Obtained SLSAE-3000 based Integrated Reporting Assurance Statement.
- Commissioned the National Cleaner Production Centre of Sri Lanka (NCPC, Sri Lanka) to conduct an Eco Office Audit and Waste Audit at the Head Office.
- Obtained independent verification to reaffirm that the 2022 GHG Inventory Report is in alignment with ISO 14064-1:2018.
- Launched "A Breath to the Ocean" Oceanic Biodiversity Restoration Programme covering the three pillars of coral replanting, mangrove restoration and turtle conservation.
- Gold recipient of "CSR Brand of the Year" organised by Sri Lanka Institute of Marketing.
- Sampath Bank was recognised as the "Market Leader - CSR, Sri Lanka" by the Euromoney Magazine 2022 and as the "Best Bank for CSR, Sri Lanka" by Asiamoney Magazine 2022.

- Appointed the ESMS Implementation Committee to strengthen the Environmental and Social Management System (ESMS).
- Structured and invested in a 'Deep Discounted Bond' issued by LVL Energy Fund PLC, which is thought to be the first of its kind for a listed corporate in the energy sector.
- Launched "Gasai Mamai Pubudu Pothai" Tree Planting Programme for school children.
- Expanded the investment on "Wewata Jeewayak" Tank Restoration Programme by restoring three tanks in Anuradhapura, Puttalam and Kurunegala districts.

2013

2014



- Complied with GRI G4 Standards - 'In Accordance Comprehensive' issued by Global Sustainability Standards Board.
- Started measuring annual GHG emissions attributed to the Sampath Bank Head Office to determine Bank's Carbon Footprint.

- Commencement of Integrated Reporting journey.
- Obtained the Carbon Conscious Office certificate.
- Launch of the solar migration project to increase the share of renewable energy in the Bank's overall energy mix.



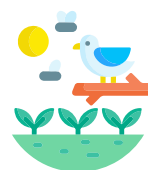
2020

- Expanded the “Sampath Saviya” Entrepreneurship Development Programme to help businesses affected by the pandemic induced economic slowdown, to strengthen their resilience against unforeseen externalities.



2019

- The Bank was awarded the ‘Carbon Neutral Certification’ by Climate Smart Initiatives (Pvt) Limited (ClimateSI), declaring Bank’s Head Office as ‘Carbon Free’ for the year 2018.
- Conducted a series of special entrepreneurship development workshops for pensioners.
- Collaborated with the Provincial Department of Agriculture - North Western Province to facilitate the “Wayamba Isuru” organic farmers market.
- Special recognition by the Small Hydro Power Developers Association for the support extended towards sustainable development and energy security of Sri Lanka.



2018

- Initiated “Sampath Green Inventor” CSR programme, a national level competition to promote eco-friendly inventions.
- Joined hands with Biodiversity Sri Lanka to restore 10 hectare of degraded forest in Halgahawala, Opatha to support conservation of biodiversity.

2015



- Sampath Bank 2015 Annual Report was certified as a “Carbon Neutral Product” by Sri Lanka Carbon Fund (Pvt) Limited.
- Became one of the first signatories of the Sri Lanka Banks’ Association (SLBA) led Sustainable Banking Initiative.
- Conducted the Carbon Neutral Corporate Social Responsibility Award Ceremony for employees in the Bank.
- Crowned as the winner of the “Best Corporate Citizen” at the Best Corporate Citizen Sustainability Awards 2015 organised by Ceylon Chamber of Commerce.
- Gold recipient of “CSR Brand of the Year” organised by Sri Lanka Institute of Marketing.

2016

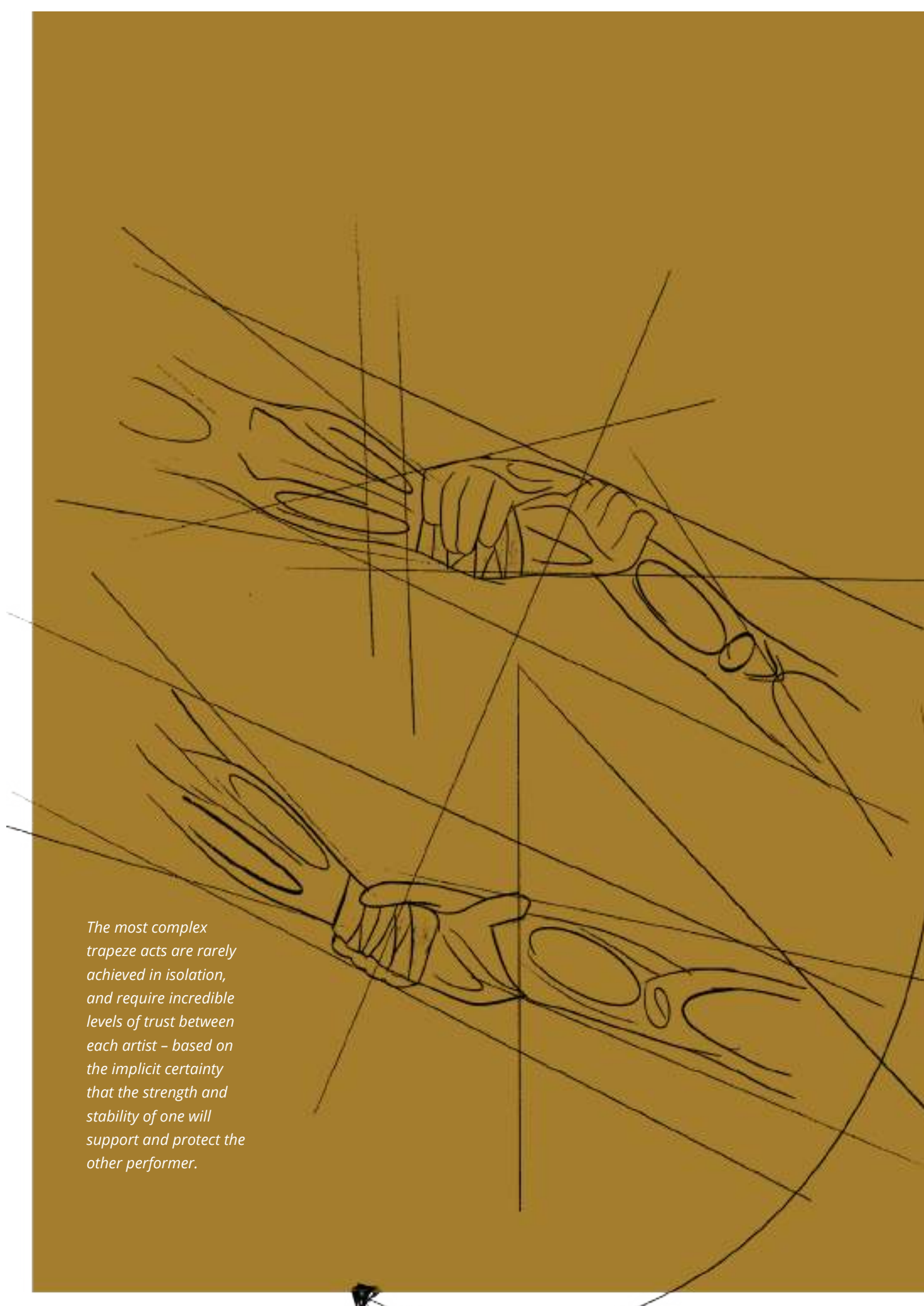


- Launched the first-ever Carbon Neutral Hotel Stay programme in Sri Lanka.

2017



- Complied with GRI Standards ‘In Accordance Comprehensive’ issued by Global Sustainability Standards Board.
- The scope of the annual GHG Inventory Report was extended to cover the Sampath Bank Head Office as well as all 229 Branches for the first time.

A line drawing of two hands, one above the other, with fingers interlaced in a supportive grip. The hands are rendered with simple, expressive lines. The background is a solid olive-brown color, overlaid with a network of thin, dark lines that intersect at various angles, creating a sense of tension and structure. The overall composition is centered and balanced.

The most complex trapeze acts are rarely achieved in isolation, and require incredible levels of trust between each artist – based on the implicit certainty that the strength and stability of one will support and protect the other performer.

BELIEF IN CONNECTION

MANAGEMENT DISCUSSION AND ANALYSIS

The connections and bonds we have formulated over time ensure that we remain steadfast – we are always prepared to support and assist our partners as they launch into a future of possibilities.

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OPERATING ENVIRONMENT

Global Economic Update

After growing by 5.9% in 2021 and experiencing the strongest expansion in 80 years, the global economy stumbled once again in 2022 with growth rates struggling to reach 2.9%. The fact that the

alarming slowdown in economic activity in 2022 comes a mere two years after the pandemic-induced recession of 2020, has raised serious concerns regarding the onset of a deeper worldwide recession in 2023.

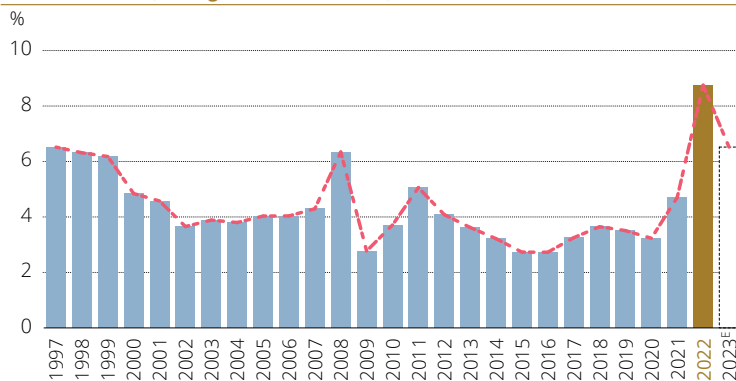
Advanced economies decelerated rapidly in 2022 to record growth of just 2.5% (2021: 5.3%) amidst low investor confidence, high inflation and post-pandemic monetary policy tightening. The US economic growth contracted sharply on the back of one of the

Key Global Trends - 2022

High Inflation

Inflation remained high worldwide, driven by demand pressures attributed mainly to the lagged effects of accommodative policy support offered by governments during the pandemic and the COVID-19 induced supply chain disruptions. The IMF estimates that global headline inflation (based on the world consumer price index), reached 8.8% in 2022, its highest level since 1996. Meanwhile, hyperinflationary conditions were also observed in some countries, being the result of significant weakening of domestic currencies against the US Dollar.

World Inflation (Average Consumer Prices)

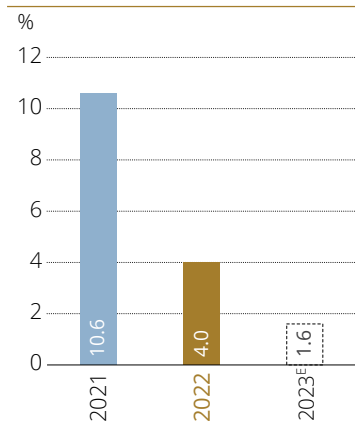


Source: International Monetary Fund, World Economic Outlook Database, October 2022
E - Expected

Weak Global Trade

Global trade deteriorated throughout 2022, in direct correlation to the slowdown in economic activity across major economies. Weakening trade was reflected in the slowdown in global industrial production as well.

Global Trade Growth

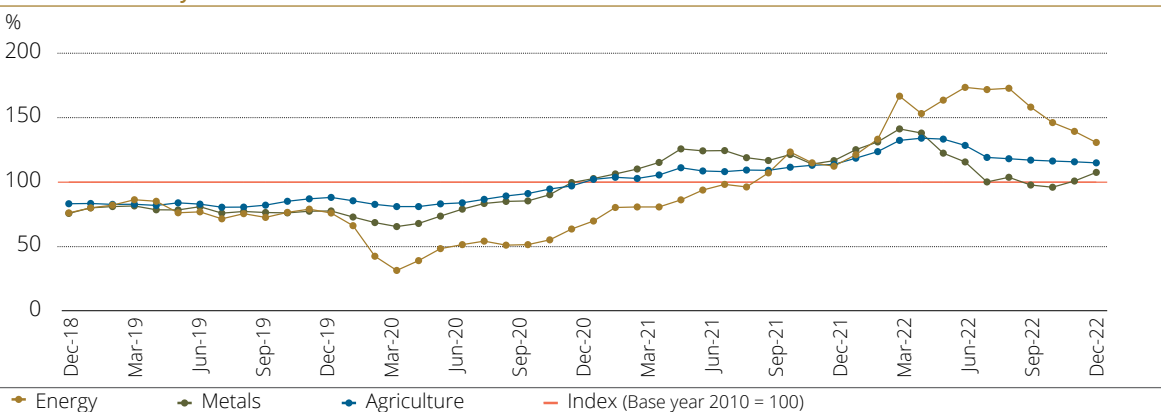


Source: World Bank Publication, Global Economic Prospects, January 2023
E - Expected

Declining Commodity Prices

Global Commodity Prices, after hitting a peak in June 2022, gradually eased thereafter owing to slowing global growth.

Global Commodity Prices



Source: World Bank, Commodity Markets Outlook, October 2022

most aggressive monetary policy tightening cycles in recent history, while growth in the Euro area continued to be stymied by unprecedented energy shortages and rising inflation triggered by the Russia-Ukraine conflict.

These trends were mirrored across Emerging Market and Developing Economies (EMDE) as well. Weaker global trade and investment along with tighter financing conditions saw EMDEs as a whole registering growth of just 3.4% in 2022 (2021: 6.7%).

Outlook and Prospects for the Global Economy

Global growth is forecast to soften even more in 2023. The combination of slow growth and tightening financial conditions will likely be further exacerbated by higher inflation, even tighter policy, financial stress, deeper weakness in major economies, and rising geopolitical tensions, to the extent that it is widely expected to trigger a full scale global recession. As a first step to safeguard against such an eventuality, urgent global action is needed to implement a systematic debt distress framework to assist EMDEs to achieve greater economic stability.

Sri Lankan Economy

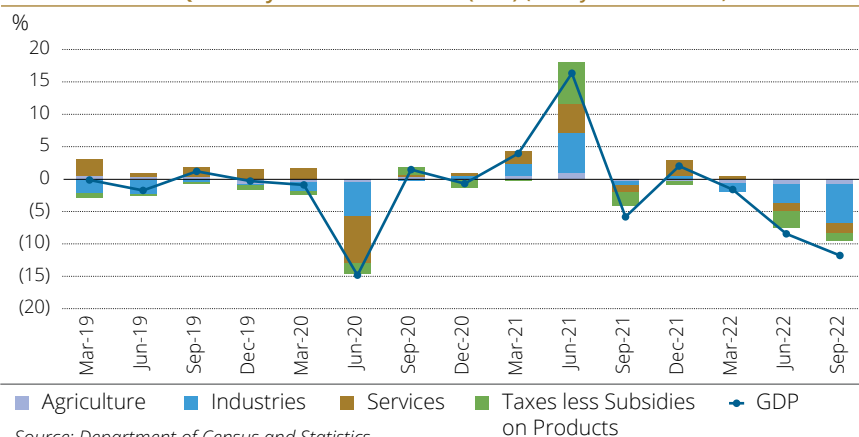
The year 2022 will be noted as one of the toughest years in Sri Lanka's recorded history as the country battled with never-before-seen levels of economic, social, and political turmoil. The first half of the year brought one crisis after another, from fuel and energy shortages, civil unrest and political uncertainty to the unprecedented depletion in foreign currency liquidity leading to shortages of essential items and causing widespread disruption to economic activity. In a bid to alleviate the pressure on

the external sector, the Rupee was devalued in March 2022 and consequently the LKR to depreciate by 41.4% against the US Dollar by end April 2022.

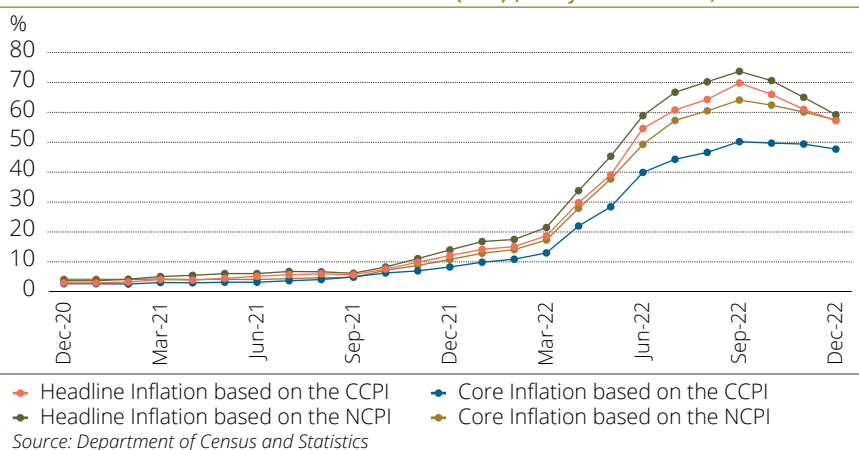
Meanwhile, the massive scarcity of key imported raw materials and other essentials had a cascading effect that saw inflation soaring to historical highs, and sent disposable incomes dwindling.

Key Indicators of Economic Health - Sri Lankan Economy 2022

Contribution to Quarterly Real GDP Growth (YoY) (Base year 2015 = 100)



Movements of Headline and Core Inflation (YoY) (Base year 2013 = 100)



Outlook and Prospects for the Sri Lankan Economy

It is hoped that the IMF-EFF programme will provide an opportunity to embark on much needed and long neglected structural adjustments in a more structured and timely manner, which will be instrumental in shaping the economy to progress on a trajectory of greater stability and sustained growth. Considering the progress that has been made thus far in relation to the IMF-EFF programme and debt restructuring negotiations, and the reforms that have already been undertaken and those that are to be implemented in the period ahead, the Sri Lankan economy is expected to transition onto the path to recovery from the latter part of 2023.

OPERATING ENVIRONMENT

Moreover in April 2022, the Sri Lankan government declared its intention to suspend its foreign debt service commitments. The announcement had a snowballing effect which triggered a significant downgrade in Sri Lanka's sovereign rating by all international rating agencies in April - May 2022. A culmination of these factors saw the Sri Lankan economy contracting by 4.8% during the first half of 2022, compared to the growth of 9.3% in the corresponding period of 2021.

The Agriculture sector contracted by 7.6% in the first six months of 2022, besieged by shortages in agricultural inputs, particularly fertiliser and agrochemicals and the rising cost of inputs coupled with fuel shortages. Faced with similar issues along with prolonged power outages, the industry sector registered de-growth of 7.1% for the same period. The services sector meanwhile, having shown strong resilience against the headwinds, contracted marginally by 0.6% in the six months ended 30th June 2022.

Reflecting the setback in economic activities, labour productivity declined in the first half of 2022 compared to the corresponding period of 2021. The issues in the external sector worsened as import expenditure continued to outpace export income up until the first quarter of 2022. Thereafter however, import expenditure declined notably, mainly due to the policy measures introduced to curtail imports amidst the foreign exchange liquidity shortage in the banking system. And with export earnings growing at an even pace throughout the year, the overall trade deficit narrowed significantly in the latter half of 2022.

Despite the odds being stacked against it, the country was able to regain a measure of stability in the second half of 2022, thanks to the multifaceted policy interventions undertaken by the government to put the economy back on track over time. In yet another positive, the government commenced talks with the IMF to secure financial assistance by way of an EFF

arrangement conditional on a long term macroeconomic adjustment programme. A staff-level agreement for a proposed EFF was reached in early September 2022.

Nonetheless, with the economy still at a critical juncture towards the end of the year, experts forecast that a contraction of as much as 8.0% is likely for 2022, which in effect would be the largest-ever economic contraction in Sri Lanka on record.

Banking Sector Overview

As was the case with almost all sectors of the economy, the Banking sector too faced a tough year in 2022. Muted economic activity and weak investor confidence meant the Banking sector had to contend with limited opportunities for credit expansion. Consequently, loans and advances grew by only 5.7% in 2022, compared to 14.5% recorded during the previous year.

P ▶ Political

Key Factors	Impact on Sri Lanka's GDP	Impact on the Banking Sector
Political instability	High	High
Policy uncertainty	High	High

E ▶ Economic

Key Factors	Impact on Sri Lanka's GDP	Impact on the Banking Sector
Prolonged economic slowdown, fuel and energy shortages, hyperinflationary conditions	High	High
Breakdown of economic fundamentals, resulting in the foreign exchange liquidity crisis and LKR devaluation	High	High
Decline in investor confidence due to sovereign rating downgrade	High	High

S ▶ Social

Key Factors	Impact on Sri Lanka's GDP	Impact on the Banking Sector
Social unrest	High	High
Increase in poverty levels due to lower disposable incomes	High	High
Food security issues and risk of malnutrition due to the contraction in agriculture sector	High	High

The Banking sector found itself in more distress due to poor foreign currency liquidity and credit quality issues primarily due to the foreign exchange crisis and contractionary monetary policy measures implemented by the government.

• Outlook and Prospects for the Banking Sector •

Going forward, the capital position of the Banking sector will likely come under further pressure owing to deteriorating credit quality arising from the prolonged economic downturn, higher inflation, lower disposable incomes, and declining revenues of SMEs. On this basis, it can be reasonably assumed that the profitability of the sector too will be compromised.

Data sources:

World Bank Publication, Global Economic Prospects, January 2023.

International Monetary Fund, World Economic Outlook Update, January 2023.

Recent Developments, Economic Highlights and Prospects for 2023 by CBSL.

Banking Sector Developments - December 2022 by CBSL.

PESTEL Analysis 2022



T ▶ Technological

Key Factors	Impact on Sri Lanka's GDP	Impact on the Banking Sector
Global trend towards QR-based payments	Low	High
Promotion of cashless transactions by CBSL	Moderate	High

E ▶ Environmental

Key Factors	Impact on Sri Lanka's GDP	Impact on the Banking Sector
Impact of climate change on businesses	High	Moderate
Green Finance Taxonomy	Moderate	High
ESG Advocacy	Low	Moderate

L ▶ Legal

Key Factors	Impact on Sri Lanka's GDP	Impact on the Banking Sector
Restrictions on imports	High	High
Tax reforms	High	High

OPERATING ENVIRONMENT

Asset Base

The asset base of the Banking sector grew to Rs 19.4 Tn in 2022, a growth of 15.4% compared to an expansion of 15.1% recorded in the previous year. It should be noted that asset growth was attributed primarily to the re-pricing of the foreign currency denominated assets following the LKR devaluation from March 2022.

Asset Quality

Asset quality of the Banking sector deteriorated in 2022. Available data indicate that Stage 3 loans increased by 53.7% to reach Rs 1.3 Tn as at end December 2022, from Rs 835 Bn reported as at 31st December 2021. Accordingly, Stage 3 loans to total loans ratio rose to 11.3% by end December 2022 from 7.6% at end 2021.

Funding

The Banking sector continued to be funded largely by deposits. Fuelled by high interest rates throughout much of 2022, the deposit base of the Banking sector registered robust growth of Rs 2.4 Tn during the year to reach Rs 15.3 Tn as at 31st December 2022, reflecting a growth of 18.8% compared to 13.3% growth recorded in the previous year.

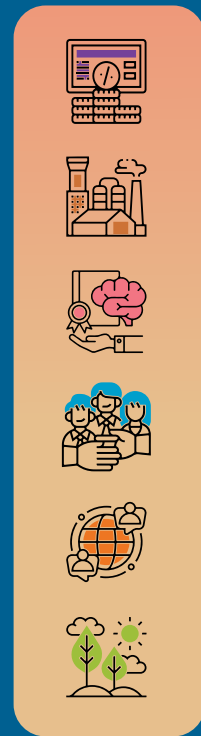
Capital and Liquidity

Despite ongoing stress, the Banking sector continued to operate with acceptable levels of capital and impairment coverage ratios. Liquid assets were also maintained above the minimum regulatory requirement. The Statutory Liquid Assets Ratio of DBUs was at 29.9% by 31st December 2022.

Despite adverse macroeconomic conditions, the Banking sector as a whole maintained the Capital Adequacy Ratio (CAR) above the minimum statutory requirements. As at end September 2022, the Banking sector operated with a Tier I CAR of 12.4% and a Total Capital Ratio of 15.2%, which were both well above the Basel III requirements.

Profitability

Pressure from adverse macroeconomic conditions in 2022 were reflected in the profitability of the Banking sector. Profit before all taxes of the Banking sector for the year ended 31st December 2022 was Rs 252.6 Bn, representing a decline of Rs 25.7 Bn compared to the profits of Rs 278.3 Bn reported during the previous year. The increase in impairment charges by Rs 298.5 Bn was the main reason for the profit erosion in the Banking sector.



MANAGEMENT
DISCUSSION AND
ANALYSIS

CAPITAL
MANAGEMENT
REPORTS



FINANCIAL CAPITAL

Value Creation Scorecard

Strategic Objectives

Competitive Positioning



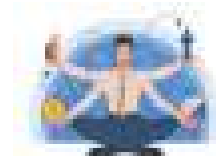
Operational Excellence



Cost Management



Business Resilience



Financial Capital Overview

The goals set by the Bank at the commencement of 2021 were based on the circumstances that existed at that time. However, given the economic crisis that unfolded thereafter, the Bank was compelled to reorient its goals to adapt to the environment. As a result, a few previously set targets were realigned in order to ensure the Bank stays responsive and agile in the face of changing market conditions.

Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Medium Term	Strategically diversify the lending approach to boost interest income.	Net Interest Margin (NIM) of the Bank increased to 5.66%, 205 bps higher than the NIM registered in the previous year.	➤ Strategically diversify the lending approach to boost interest income and strengthen the asset base.
	Aggressive drive to grow the savings portfolio.	The unprecedented interest rate hikes during the year had a significant impact on the Bank's CASA balances. Although the Bank witnessed a drop in CASA balances as a result of the rising interest rates, cost of funds was managed effectively.	➤ Ongoing cost saving initiatives mainly digitisation of Bank's processes aimed at lowering operating expenses.
	Implement Bank-wide cost saving initiatives on an ongoing basis.	Sampath Bank has made some notable strides in implementing process automation across all levels of the business. While significantly improving workflow efficiencies and boosting employee productivity, these efforts have also proven to be highly effective lowering costs over the years.	
Long Term	Minimise the maturity mismatch between assets and liabilities.	The ongoing economic uncertainty has caused maturity mismatches between asset and liability portfolios. However, Sampath Bank's prudent strategies have helped to mitigate these impacts successfully.	➤ Closely review the provisioning requirements more frequently, to make necessary adjustments to safeguard quality of the advance portfolio.
	Leverage on digital technology including RPA (Robotic Process Automation) and machine learning tools to derive sustainable cost savings over time.	Reduction in paper usage attributed to digitisation and process automation.	

Business Outcomes



5.66%

2022

3.61% 2021
NIM



Rs 19 Bn

2022

Rs 11 Bn 2021
Net Fee and Commission
Income



11.84%

2022

6.21% 2021
Provision Cover Ratio

FINANCIAL CAPITAL

Complementing Other Capitals



Manufactured Capital

Strategic allocation of financial resources to develop delivery channels in line with the Bank's expansion strategy will help strengthen market reach.



Intellectual Capital

Consistent improvement in financial performance over time, serves to enhance the Bank's credibility and reputation in the industry.



Social and Relationship Capital

Strong financial results will enable the Bank to consistently allocate resources to meet the needs of all key stakeholders.



Human Capital

Better financial results allow the Bank to increase wealth created for employees by way of above average salaries and benefits, thereby increasing motivation and employee satisfaction, and lowering employee turnover.

Analysis of the Statement of Profit or Loss

Gross Income

Buttressed by strong improvements in all three key income sources - Net Interest Income (NII), Net Fee and Commission Income (NFCI) as well as Other Operating Income, Sampath Bank's Gross Income almost doubled to reach Rs 198 Bn for 2022 from Rs 105 Bn reported in 2021.

Net Interest Income (NII)

NII increased substantially in the year under review from Rs 41.7 Bn in 2021 to Rs 73.5 Bn in FY 2022, reflecting a solid 76.4% growth. While interest income attributed to loans and advances declined

owing to the Bank's decision to prudently manage the lending activities in light of severe macroeconomic stress, the adverse impact of this approach was offset by the continuous upward movement in market interest rates. With the AWPLR increasing rapidly throughout the year, the Bank benefitted from frequent repricing of the loans and advances portfolio during 2022. Similarly, interest income from Treasury Bills and Bonds increased due to the unprecedented rate hikes in 2022 while interest income on FCY loans increased substantially owing to LKR depreciation. As a result, interest income for the year 2022 reached Rs 158 Bn, denoting an increase of 83.3% over the previous year.

However, interest expenses too saw an increase as banks were compelled to increase interest rates on deposits in line with Treasury bill rates during the latter part of 2022. As a result, Sampath Bank's LKR term deposit base increased by Rs 158 Bn while the Bank's LKR CASA base reduced by Rs 111 Bn during the year. Proactive and timely asset and liability management ensured that the escalation was well managed.

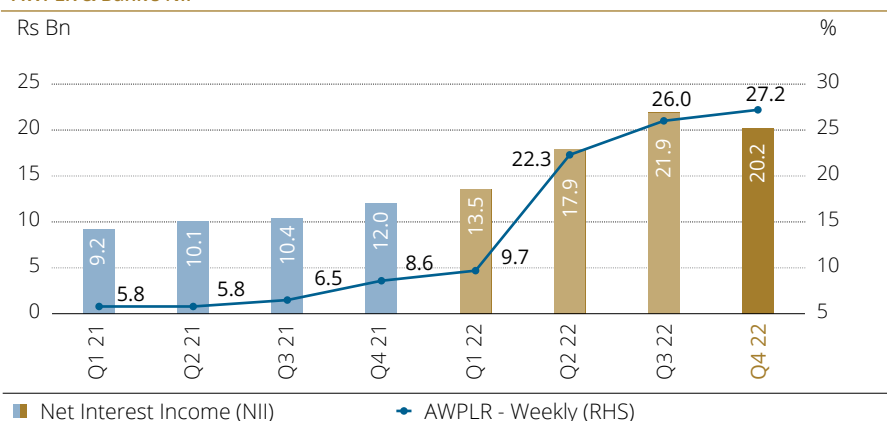
Furthermore, with interest income outpacing the interest expense, NIM for the reporting period reached 5.66%, 205 bps higher than the NIM registered at the end of 2021.

Net Fee and Commission Income (NFCI)

With Card and Trade related activities generating robust results compared to the previous year, total NFCI of the Bank grew by 69.4% from Rs 11.5 Bn reported in 2021 to Rs 19.4 Bn in the year under review.

A combination of volume growth and a substantial tariff increase enabled trade related services to establish itself as a strong contender, contributing 42% towards overall NFCI for the current financial year and recording a growth of 159% over previous financial year.

AWPLR & Bank's NII



Meanwhile, SampathCards too posted a significant growth of 67% over the previous financial year and accounted for 30% of the total NFCI mix.

Net Trading and Other Operating Income

The net other operating income for the year was Rs 19.7 Bn, an increase of 311% year-on-year which was driven by the Rs 164.75 drop in value of the LKR against USD. Total net foreign exchange income reported for the period increased to Rs 16.3 Bn in 2022, up from the Rs 4.8 Bn

recorded in the last year. The Bank reported Rs 18.5 Bn exchange gains under other operating income in 2022 (2021: Rs 4.2 Bn) and Rs 2.2 Bn unrealised exchange loss under Net Trading Income for 2022 (2021: Gain of Rs 636 Mn).

Impairment Charge

The Bank recorded Rs 62.7 Bn as total impairment charge for the year under review, of which Rs 54.3 Bn relates to provisioning on account of loans and advances, while Rs 7.8 Bn is attributed to investments in financial instruments including SLDBs and SLISBs. A further

impairment provision of Rs 0.6 Bn has been recognised against credit related commitments and contingencies.

Impairment on Loans and Advances

Customers' arrears position escalated during the year due to the unprecedented erosion of disposable income, deteriorating business prospects amidst the breakdown of economic fundamentals, the fuel and energy crisis, social unrest and political instability. Having considered these adverse movements, the Bank with its conservative policy increased the impairment provisions booked against loans and advances in the current financial year.

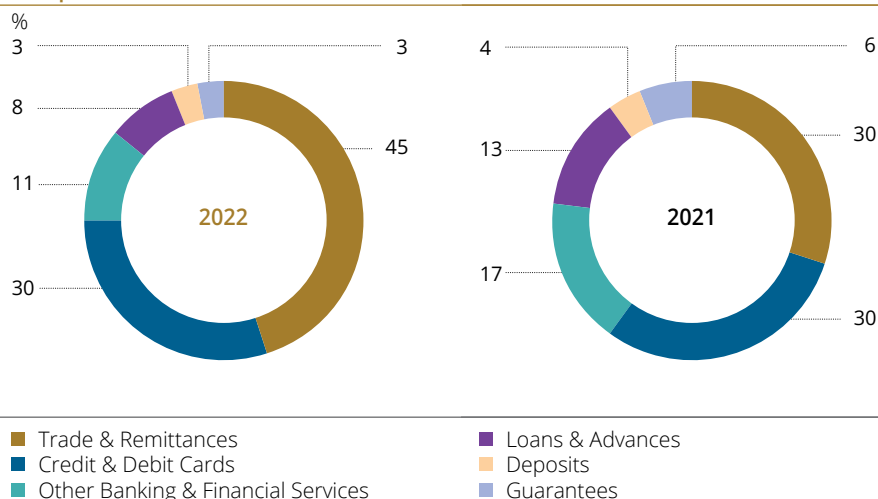
Impairment on Individually Significant Loan (ISL) Customers:

The Bank has evaluated substantial portion of its customers under the ISL category giving due consideration to their financial strength as well as the external macro-economic pressures. The adequacy of impairment provisions in respect of ISL customers in the tourism and other similarly affected industries were also further reviewed and where necessary adequate impairment provisions were recognised. Accordingly, the Bank charged Rs 32.7 Bn as impairment provision against ISL customers in 2022, an increase of Rs 27.6 Bn compared to 2021.

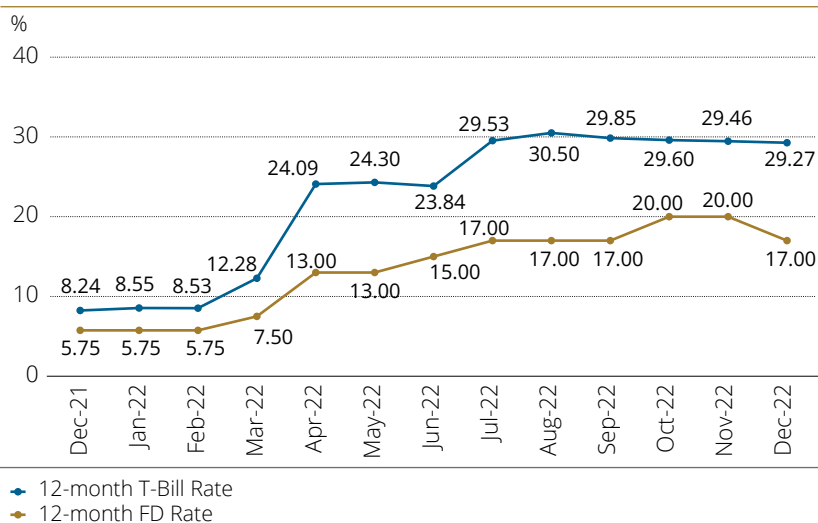
Collective Impairment: The Probability of Default (PD) rates applicable on the portfolio increased, reflecting financial stress experienced by customers. The stagnant economy and restrictions imposed by regulators on foreclosures created difficulties for the Bank in recovering defaulted facilities. As such, LGD rates also increased over the course of the year.

Further, the Bank reviewed the probability weightage for the worst-case economic scenarios and increased it further during the reporting period. In addition, the Bank continuously refined the economic factor

Composition of NFCI



T-Bill Rate & Bank's FD Rate



FINANCIAL CAPITAL

adjustment methodology to reflect the heightened economic vulnerabilities and captured the latest available data for economic variables. This enabled the Bank to book adequate impairment provisions to address the potential credit risk associated with the current economic challenges. The Bank also continued to recognise impairment provision against the customers who exited the moratorium at the end of December 2021 and June 2022 as some customers have requested further concessions given the current economic outlook.

Industries considered under elevated risk were further expanded to capture a broader range of industry-specific stress factors. The potential impact of rising inflation, higher interest charges and increase in taxes on the retail segment were some of the other factors that were considered in recognising impairment provisions.

Taking into account the increased credit risk, the Bank reclassified a substantial number of customers under Stage 2 on prudential basis, in addition to the days past due classification during the year under review. Accordingly, 33.2% of the total advances portfolio as at 31st December 2022 is classified under Stage 2 (2021: 31.1%).

A combination of these measures saw impairment charge on loans and advances increasing to Rs 54.3 Bn in FY 2022, up by 328% from Rs 12.7 Bn in 2021.

Impairment on Financial Instruments

Following the announcement made by the Government in April 2022 stating the Government's intention to restructure its external public debt and the subsequent downgrade of Sri Lanka's sovereign rating by global rating agencies, the Bank moved to make substantial provisions in anticipation of possible haircuts on foreign currency denominated Government Security instruments. For the year ended 31st December 2022, impairment charge

of Rs 7.8 Bn was made against the total foreign currency denominated Government Securities and the cumulative impairment provision as at 31st December 2022 stood at Rs 18.3 Bn. Meanwhile, the Bank was able to significantly reduce provisions made against SLDBs by exercising the option to convert maturing SLDBs into LKR denominated bonds/bills. In this regard, Sampath Bank accepted LKR bonds, bills etc. in place of USD 162 Mn worth SLDBs that matured during 2022. The Bank expects to once again exercise the conversion option when a further USD 104 Mn worth of the SLDB portfolio matures in 2023.

Net Operating Income

Although improvements in Gross Income was mostly neutralised by the increase in impairment charge, the Bank's Net Operating Income witnessed satisfactory growth compared to the previous financial year. Net Operating Income improved by 16.5% from Rs 41.4 Bn in 2021 to Rs 48.2 Bn in 2022.

Operating Expenses

Operating expenses increased by 35.7% year-on-year, amidst higher personnel costs and a culmination of widespread price increases that drove up other operating expenses. Compared to the previous financial year, personnel costs grew by 30.9% in 2022 mainly owing to salary increases. Other operating expenses also increased by nearly 50%, due to a combination of inflationary conditions and the high cost of imports precipitated by the devaluation of the LKR against the US Dollar.

Taxation

Total tax expense of the Bank for FY 2022 was Rs 7.1 Bn, which is comprised of Income Tax (Rs 1.9 Bn) Value Added Tax on Financial Services (Rs 5 Bn) and Social Security Contribution Levy (Rs 0.2 Bn).

Not included in the above tax expense is the newly imposed one-off Surcharge Tax



16.5%

Rs 48.2 Bn
2022

Rs 41.4 Bn 2021
Net Operating Income



240%

Rs 16.3 Bn
2022

Rs 4.8 Bn 2021
Total Foreign
Exchange Income



104 bps

40.08%
2022

39.04% 2021
Dividend Payout Ratio

of Rs 2.7 Bn, which was paid in 2022. The Surcharge Tax was calculated at 25% of the taxable income for the year of assessment 2020/2021 and it was directly set-off against opening equity in line with the Statement of Alternative Treatment (SoAT) on accounting for surcharge tax issued by CA Sri Lanka.

The Value Added Tax on Financial Services charge increased by Rs 1 Bn in FY 2022 compared to Rs 3.9 Bn charged in 2021. This was due to the applicable rate increasing from 15% to 18% with effect from 1st January 2022. Furthermore, an additional tax charge of Rs 222 Mn in FY 2022 was attributed to the 2.5% Social Security Contribution Levy on value addition, introduced with effect from 1st October 2022.

The Bank has captured the income tax rate increase to 30% from 24% for the latter six months of the year of assessment 2022/23. The change in claimable loan loss provision method too was adjusted with transition impact. The deferred tax assets/liabilities were recognised at the revised rate of 30%.

Profit before Tax (PBT) and Profit after Tax (PAT)

Sampath Bank posted PBT of Rs 15 Bn for the year under review. Although this is slightly lower than the Rs 16.8 Bn tabled in the previous year, it is nevertheless a commendable achievement that comes amidst the significant increase in impairment charges and overhead expenses. Meanwhile, the Bank posted a PAT of Rs 13.1 Bn for FY 2022, denoting marginal growth of 5.4% over the previous year.

Other Comprehensive Income (OCI)

The changes in OCI were attributed to three key factors. Firstly, the Bank made use of the one-time opportunity offered by CA Sri Lanka to revalue its Government Securities portfolio and reclassified it under amortised cost portfolio as at 1st April 2022, resulting in the reversal of mark-to-market losses of Rs 4.8 Bn.

Secondly, the Bank booked Rs 1.1 Bn worth of actuarial gains against retirement benefit plans due to higher discount rates arising from the upward shift in market interest rates.

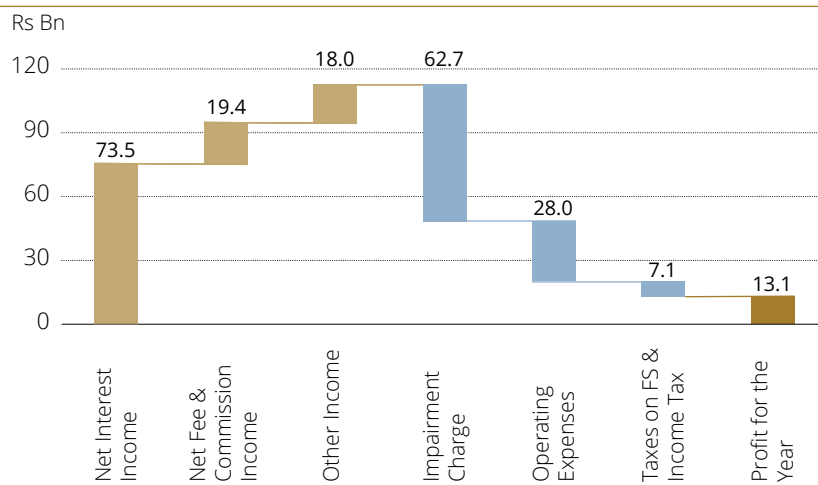
And finally, the entire portfolio of Bank-owned freehold land and buildings was revalued during the year resulting in a gain of Rs 978 Mn for reporting year.

Analysis of the Statement of Financial Position

Asset Base

Total assets of the Bank grew by 10.4% during the year under review to reach Rs 1.3 Tn on 31st December 2022, from the Rs 1.2 Tn registered at the previous year end. The increase in cash and cash equivalents as well as net loans and advances contributed to the aforementioned growth. One of the primary causes of the balance sheet expansion is the LKR devaluation during the year.

Bank's Performance 2022



Cash and Cash Equivalents

Cash and Cash Equivalents increased to Rs 79 Bn mainly due to accumulation of Nostro balances, triggered by the lack of investment opportunities in USD.

Loan Growth

The Bank's gross loans and advances increased to Rs 920 Bn at the end of 31st December 2022 from Rs 813 Bn as at end of December 2021. The LKR portfolio grew by Rs 35 Bn, reflecting an increase of 4.9% compared to the portfolio balance of Rs 717 Bn at the previous year-end. The FCY loan portfolio of the Bank expanded by Rs 71.6 Bn due to the LKR devaluation in March 2022. However, if the LKR devaluation is disregarded, the core loans and advances portfolio shows only a marginal growth of 3.2%. This low growth is consistent with the Bank's conscious decision to manage lending and engage in more focused credit expansion activities.

Investments

Overall, debt and other instruments decreased marginally compared to 2021, with material movement between FCY and LKR instruments. This was primarily due to the Bank's decision to accept the offer to receive treasury bonds/bills in exchange for maturing SLDBs. Thereby, investment in SLDB dropped by 33% during the year.

Liabilities

Deposits

On an overall basis, the total deposit base of the Bank crossed the Rs 1 Tn mark during 2022. From the Rs 978 Bn recorded at the end of the previous year, the deposit base reached Rs 1.1 Tn at 31st December 2022, reflecting a growth of 12.76%. It should be noted however that much of this growth is attributed to the revaluation gain on the foreign currency denominated deposits. Meanwhile, steps taken by the Bank's Asset Liability Management Committee to consciously manage the high-cost term deposits portfolio contained the growth of LKR denominated deposits to 4%.

Equity

Total equity of the Bank increased by Rs 7.6 Bn during the year to reach Rs 126 Bn at the end of 2022. Profit after tax recorded for the year 2022, gains arising from changes in actuarial valuation assumptions on retirement benefit plans and revaluations gains on freehold lands and buildings, together contributed towards the growth in total equity. However, the one-off surcharge tax payment and dividend payment against 2021 negatively impacted the total equity.

FINANCIAL CAPITAL

Capital and Liquidity

The Bank remained well capitalised in 2022, with no requirement for capital infusion during the year. All key capital ratios were consistently above the minimum regulatory requirements. As at 31st December 2022, the Tier I Capital Ratio was at 11.92%, while the Total Capital Ratio was at 14.27%, both comfortably above the regulatory minimum of 8.5% and 12.5% respectively. The Bank's leverage ratio as at the end of December 2022 stood at 7%, well above the regulatory minimum of 3%.

The Bank's Statutory Liquid Asset Ratio stood at 27.85% at the end of reporting year, ahead of the regulatory minimum requirement of 20%. Similarly, the Liquidity Coverage Ratio and the Net Stable Funding Ratio at 146.5% and 157.1% respectively were both well above the minimum regulatory requirements.

Debenture Issue

The Bank made an offer to issue 50 Mn Basel III compliant - Tier II, listed, rated, unsecured, subordinated redeemable 5 year debentures (2023/28) with a non-convertibility conversion, of a par value Rs 100/- each to raise a sum of up to Rs 5 Bn with the option to issue up to a further 20 Mn of said debentures to increase the said sum by up to a further Rs 2 Bn at the discretion of the Bank in the event of an over-subscription of the initial issue and with a further option to issue up to a further 30 Mn of said debentures to increase the said sum by up to a further Rs 3 Bn, at the discretion of the Bank in the event of an over-subscription of the initial issue and the second tranche.

The above debenture issue was successfully oversubscribed on the very first day, demonstrating investor confidence in Sampath Bank PLC and the Bank thereby exercised both options and raised Rs 10 Bn worth of Basel III compliant - Tier II funds on 9th February 2023.



Having considered these adverse movements, the Bank with its conservative policy increased the impairment provisions booked against loans and advances in the current financial year.

Dividend

The Board of Directors has recommended a final dividend of Rs 4.60 per share (Rs 3.45 per share in cash and Rs 1.15 per share in scrip) for the financial year ended 31st December 2022 subject to the approval of the shareholders at the Annual General Meeting to be held on 30th March 2023. The Bank will inform the Director - Bank Supervision of Central Bank of Sri Lanka, the Board approved detailed assessment carried out in deciding the payment of cash dividends for the year 2022. The Dividend payout ratio for the year ended 31st December 2022 stood at 40.08% (2021: 39.04%).

External Rating

Fitch Ratings Lanka Limited has revised their ratings of 10 Sri Lankan banks including Sampath Bank on 12th January 2023 following the recent sovereign downgrade and recalibration of the Agency's Sri Lankan national rating scale.

Accordingly, Sampath Bank's National Long Term rating has been revised down to 'A(Ika)/RWN' from 'AA-(Ika)/RWN'. Further, Fitch has assigned 'BBB+(Ika)/RWN' rating for Bank's Basel III compliant subordinated debentures.



342 bps

11.92%
2022

8.5% Regulatory Minimum
Tier I CAR



177 bps

14.27%
2022

12.5% Regulatory Minimum
Total CAR

Summary of Group Performance

Despite the adverse economic conditions, all subsidiaries within the Sampath Group reported acceptable profits for 2022. A brief overview of the performance of subsidiaries is given on pages 164 and 165 of the Annual Report.

At a Group level, consolidated profit before tax for the year under review was Rs 16.4 Bn and profit after tax of Rs 14.1 Bn, compared to Rs 18.8 Bn and Rs 13.9 Bn respectively for FY 2021.



Way Forward

Strategically diversify the lending approach to boost interest income and strengthen the asset base.

Minimise the maturity mismatches between assets and liabilities to optimise liquidity and control cost of funds.

Ongoing cost saving initiatives mainly digitisation of Bank's processes aimed at lowering operating expenses.

Closely review the provisioning requirements more frequently, to make necessary adjustments to safeguard quality of the advance portfolio.



MANUFACTURED CAPITAL

Value Creation Scorecard

Strategic Objectives

Cost Management



Operational Excellence



Customer Experience



Manufactured Capital Overview

Area	Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Branch Network 	Medium Term	Drive the adoption of the digital branch concept among customers.	Implemented 14 digital banking centres under the digital branch strategy - phase II.	Complete the digital branch roll out across the entire branch network by end 2023, while working simultaneously to convert all 229 branches into 100% frontline operations by end 2023.
	Long Term	Leverage technology to simplify operating models in order to minimise the requirement of brick-and-mortar branch model.	Centralising back office functions to transform branches into 100% frontline operation focused on driving core business activities.	
ATM/CRM Network 	Medium Term	Systematically upgrade ATM/CRM infrastructure on par with global standards.	13 ATMs were replaced with CRMs.	Conclude the CRM replacement programme by mid 2024 and pursue opportunities to offer more value added services through the Sampath ATM network.
	Long Term	Improve the functionality of the ATM/CRM with a focus to divert all customers towards digital channels for every routine banking activity.	Green PIN enablement initiative - a safe and secure mechanism to allow customers to change their debit card PIN using any Sampath Bank ATM.	
Agent Banking Channel 	Medium Term	Triple the islandwide MyBank agent footprint by end 2022 by appointing new agents in yet untapped regions of the country and also by increasing the concentration in existing areas with visibly high growth potential.	Appointed 1,338 sub-agents authorised to offer the "eZ Banking service".	Increase the existing sub-agent network during the year 2023, activate phase II of the "eZ Banking service" to empower sub-agents to offer a wider range of basic banking services to their customers.
	Long Term	Replace the existing POS terminal with new App based solution thus creating a robust ecosystem to enhance the value proposition delivered through MyBank agents, while also significantly lowering the cost-to-serve ratio.	Partnered with Dialog Axiata PLC to introduce the "eZ Banking service", which presents a low cost operating model to enable the provision of basic banking services to unbanked and underbanked communities around Sri Lanka.	

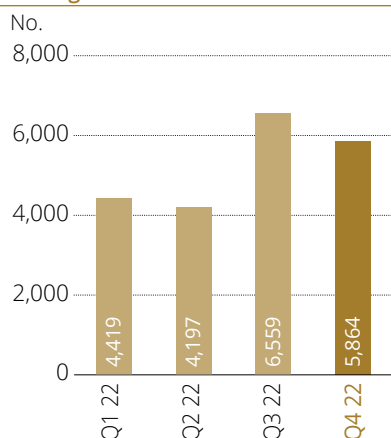
MANUFACTURED CAPITAL

Manufactured Capital Overview Contd.

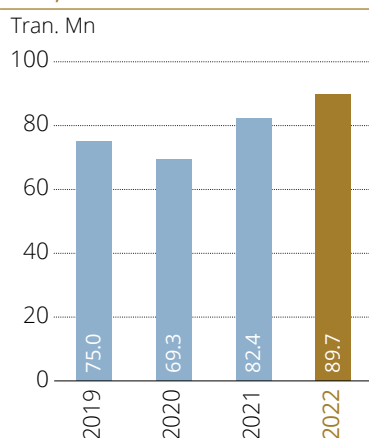
Area	Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Digital Channels 	Medium Term	Dynamically improve the digital onboarding process to ensure more efficient and convenient customer acquisition, leading to improved customer satisfaction.	Launch of the Sampath iPIN - self onboarding facility to enable customers to register for the Sampath Vishwa online banking platform using their debit card PIN.	Reinforce Sampath Bank's competitive position in the digital banking space vis-a-vis innovations that enhance the customers' digital experience.
	Long Term	Systematically increase customer migration towards digital channels by creating a digital payment ecosystem that significantly enhances the customers' overall digital experience.	Sampath Vishwa Mobile App version upgrade to allow customers to benefit from the omni channel experience.	Expedite digitalisation and process automation initiatives with a view to improving employee productivity and reducing cost-to-serve. Expand the range of low cost, value added digital channels in order to promote greater financial inclusion across Sri Lanka in order to support the national digital drive as outlined by the CBSL's digital roadmap.
IT Infrastructure 	Medium Term	Expand the current API (Application Programming Interface) banking platform to enhance the business.	API integration enablement to support the eZ Banking agent channel roll out.	Establish open API platform for the Bank, which will facilitate business expansion planned through Open Banking.
	Long Term	Leverage on cloud platforms to better serve stakeholder needs.	Migration of the HRIS and the "Vidvan" learning management platform to the cloud.	Accelerate the Bank's cloud migration journey to enable all non-core activities to be hosted on the cloud in due course.

Business Outcomes

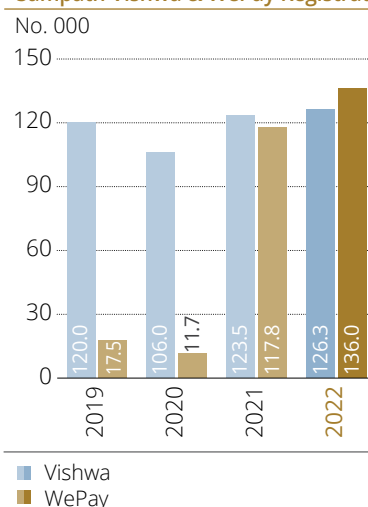
Volume of Digital On-boarding through Video Consoles



ATM, CDM & CRM Transaction Volume

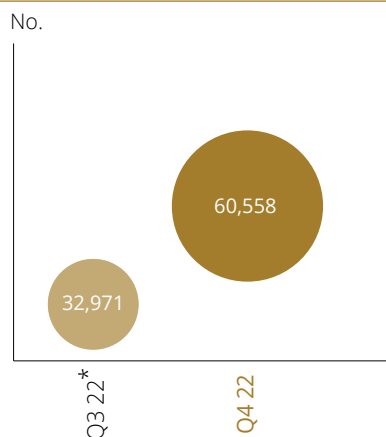


Sampath Vishwa & WePay Registrations

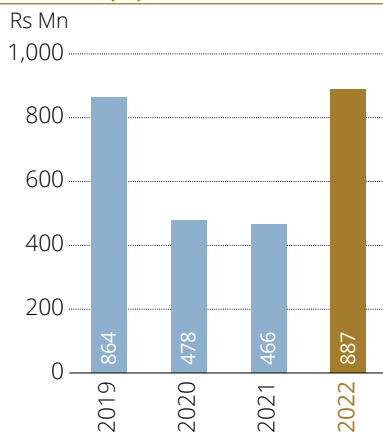


Business Outcomes

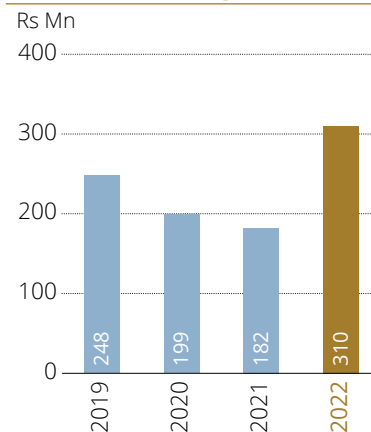
Green PINs Issued



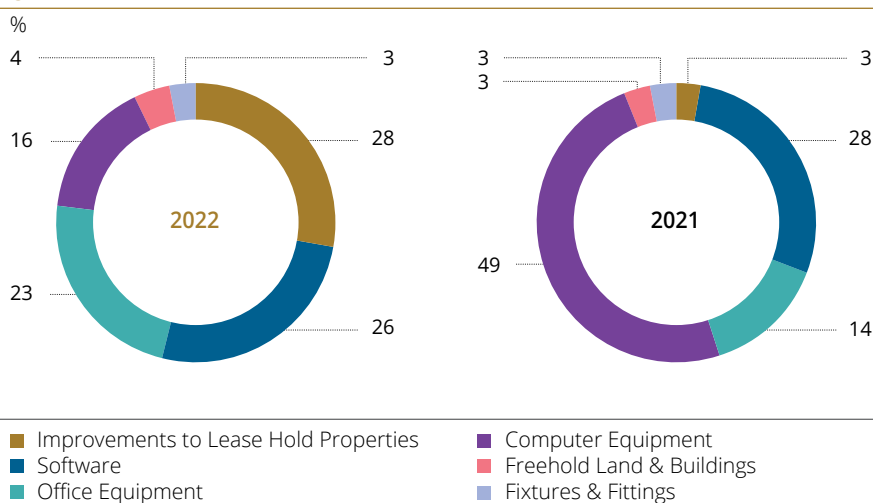
* Green PIN process introduced from August 2022.

Investment in Property,
Plant & Equipment

Investment in Intangible Assets



CAPEX Mix



Complementing Other Capitals



Financial Capital

Multiple banking channels increase the number of income generating sources to boost the Bank's income and profits.



Intellectual Capital

Reliability and high resilience of core systems ensure business continuity, in turn having a positive impact on the Bank's reputation and enhance brand equity.



Social and Relationship Capital

Wider choice of channels helps to gain the trust of among diverse customer segments.



Natural Capital

Greater focus on digital banking solutions will result in lowering the use of paper and thereby lessen the Bank's environmental impact.

MANUFACTURED CAPITAL

Contribution to Sustainable Development Goals



Target 8.2: Diversify, innovate and upgrade for economic productivity

Target 8.10: Universal access to banking, insurance and financial services

Target 9.3: Increase access to financial services and markets

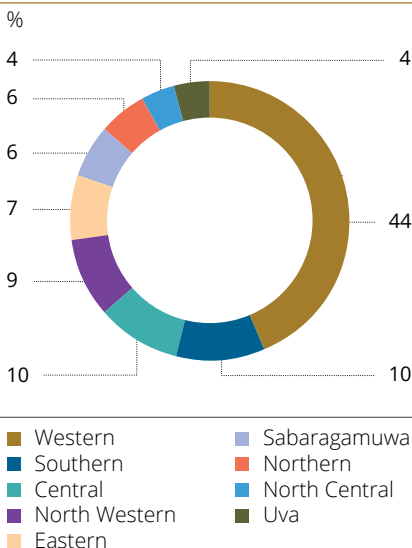
Target 9.4: Upgrade all industries and infrastructures for sustainability



Branch Network

Sampath Bank's network of 229 fully-fledged branches spanning all 25 districts have long been the mainstay of the Bank's operations. Over the years, the branch network as a whole has been subject to several evolutionary cycles, which is demonstrative of the Bank's commitment to early adoption of the latest local and global banking practices.

Geographical Distribution of the Branch Network



The year 2022 marked the latest phase in this evolutionary journey, which saw the functional role of the branches being revamped. The first phase of this transformation process to convert the branches into 100% frontline operation

focused on driving core business activities, was implemented for over 100 branches. Under the programme, all back-office functions typically handled by these branches, were centralised and brought under control of relevant authorities at Head Office. As a first step, all internal documentation and record keeping processes were fully digitised enabling day-end reconciliations etc. to be centralised under the purview of the Bank's Network Services Centre and routine balance confirmation requests and handling other customer requests, etc. to be directed to the newly set up Central Branch Operations Unit (CBOU).

These initiatives also tie in with the Bank's principal efforts to drive operational efficiency and manage branch overheads, which over the years had led to the centralisation of specialised activities such as credit evaluation and disbursement. In this regard, the Central Credit Processing Unit (CCPU) was established in 2016 to verify customer credit worthiness while the Loan Disbursement Unit (LDU) was set up in 2019 to create a standardised loan disbursement protocol. As a follow up to these efforts, the Central Credit Documentation Unit (CCDU) was formed in 2022. The main function of the CCDU is to provide assurance that customers' security documentation is in order prior to the actual disbursement. Centralisation of these functions have helped greatly in streamlining the work of branch teams to enable them to be redeployed towards more value adding tasks, including driving core business activities.

Another important branch initiative undertaken by Sampath Bank - the digital branch strategy launched in early 2021, moved into its second phase in 2022 with the Bank investing in necessary hardware, software and equipment to set up more digital banking centres. In addition to the ATMs, CDMs (Cash Deposit Machine), and Cheque Deposit Kiosks, the newest feature at these digital banking centres is the video agent console to facilitate self on-boarding of customers.

Meanwhile, in keeping with the Bank's customer accessibility goals, the Moratumulla and Karapitiya branches were relocated to enhance customer accessibility and reach.



Way Forward

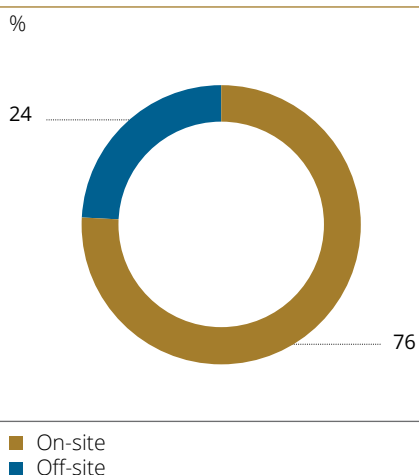
Improving the customers' digital experience via the branch network will remain the key priority going forward. Focusing on increasing digital adoption among customers from all around Sri Lanka, the Bank will target to complete the implementation of its digital branch strategy across the branch network by end 2023. The branch conversion strategy will also be expedited with all 229 branches set to be converted into 100% frontline operations by end 2023.



ATM/CRM Network

The Bank's ATM network serves as a key driver in Sampath Bank's overall value proposition. Given that it remains one of the most heavily patronised customer touch-point, the Bank maintains a very clear expansionary policy to grow its ATM network in order to reach out to more and more Sri Lankans around the country. Sampath Bank's ATM currently comprises 275 on-site and another 88 off-site ATMs.

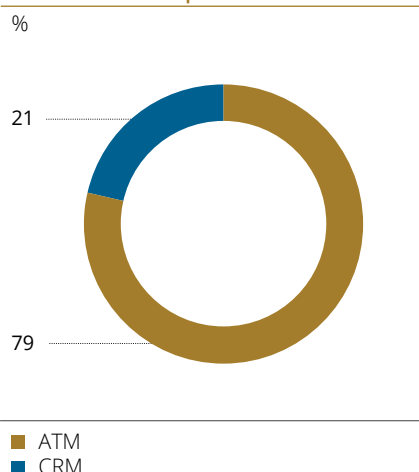
On-site & Off-site ATMs



Equally importantly, ongoing investments in the latest technology are aimed at ensuring the ATM network is continuously upgraded to correlate with customer needs. Towards this end, Sampath Bank has rolled out many upgrades in the past, but the most notable in recent times is the initiative to replace traditional ATMs with more versatile CRMs (Cash Recycler Machines). Since traditional ATMs are restricted in their ability to accommodate only cash withdrawals, steps were taken to introduce the more versatile CRM that is equipped to handle both cash withdrawals as well as cash deposits. The CRM initiative, which has been ongoing since 2017 made progress by 2022, with new CRMs installed in place of existing ATMs. As part of the ongoing effort to phase out traditional

ATMs, the Bank has further mandated that all new machines installed should also be CRMs.

ATM & CRM Composition



In the year under review, the Bank also began working on implementing a new cash draining mechanism, which would streamline the disbursement of notes through ATMs and thereby prevent machine downtime triggered by the non-availability of certain denominations.

Value added services such as the Cardless Cash, Mobile Cash, Balance Inquiry, Touchless Cash Withdrawals etc. are some of the key stand out features introduced in the past that have been responsible for positioning Sampath

Bank's ATM network ahead of peers. The Green PIN enablement introduced in 2022 is the latest addition to the value added service portfolio offered through the Sampath ATM network. The Green PIN is designed as a safe and secure mechanism to allow customers to change their debit card PIN using any Sampath Bank ATM - a process that has proven to be a very efficient and entirely more cost effective solution for the Bank as it eliminates the need for the customary printed PIN notifications.



Way Forward

While targeting to complete the CRM replacement programme by mid-2024, the Bank will actively pursue opportunities to increase the suite of value added services made available to customers through the Sampath ATM network.



Agent Banking

The Agent Banking Channel was a bold new concept introduced to the local banking sector by Sampath Bank in 2021 as a proactive response to the national endeavour to promote greater financial inclusion among unbanked and underbanked populations across Sri Lanka.



Transactions through eZ Banking Agents

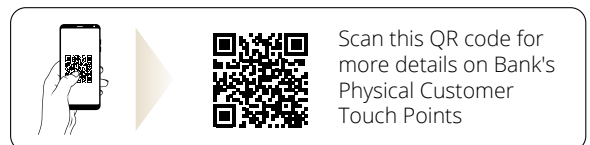
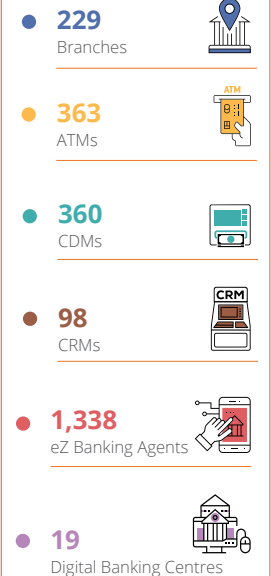
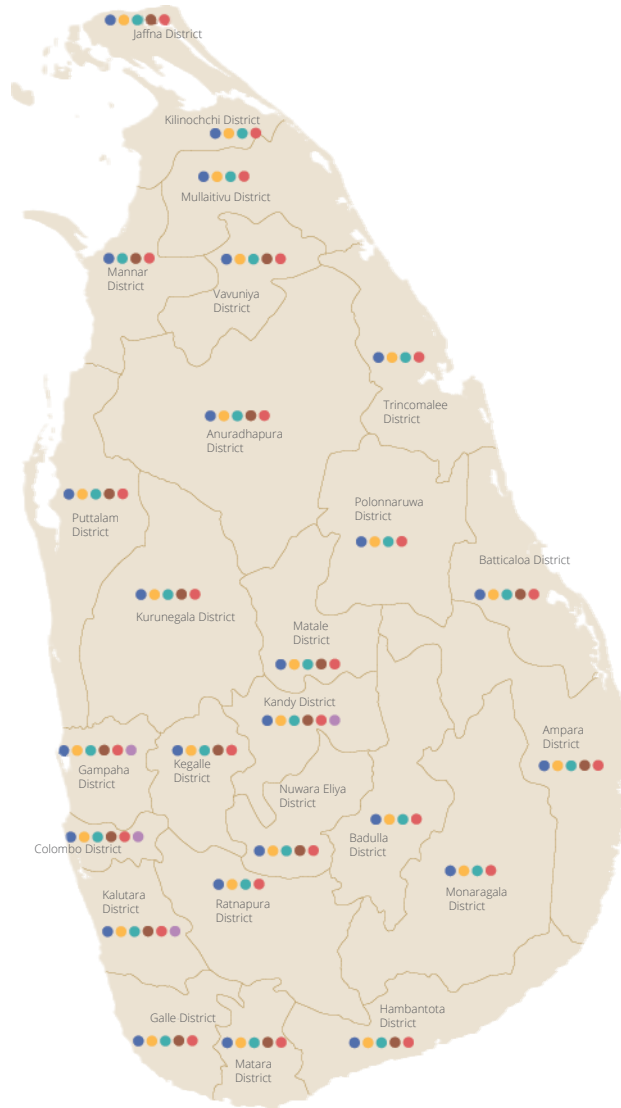
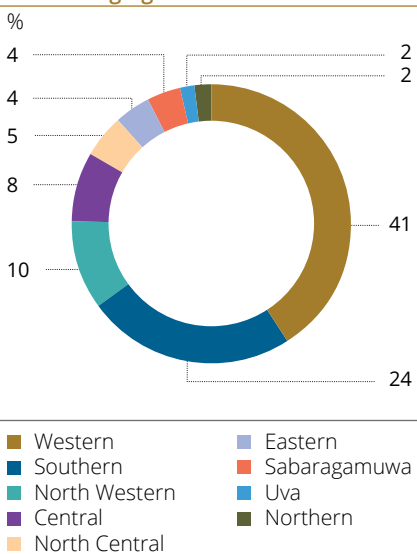
MANUFACTURED CAPITAL

► GRI 2-6

Based on the findings of the initial rollout, a strategic decision was made in 2022 to revamp the operational modalities of the Agent Banking Channel with a view to scaling up the operations. Towards this end, Sampath Bank tied up with Dialog Axiata PLC (DAP) to launch the “eZ Banking service”. As per this new model, the Bank has the authority to appoint selected sub-agents from among DAP’s eZ Cash merchant network, subject to the approval of the CBSL. Sub-agents appointed in this manner are allowed to offer basic banking services (accepting cash deposits to savings and current accounts and facilitating cash withdrawals from savings accounts) to Sampath Bank customers. A formal operational protocol encapsulating the administrative controls including a predetermined limit framework and reporting requirements relating to the “eZ Banking service” was also issued in order to ensure effective control is maintained at all times.

With necessary regulatory approvals obtained from the Monetary Board, the first batch of 1,338 sub-agents were appointed during year 2022.

Geographical Distribution of eZ Banking Agents



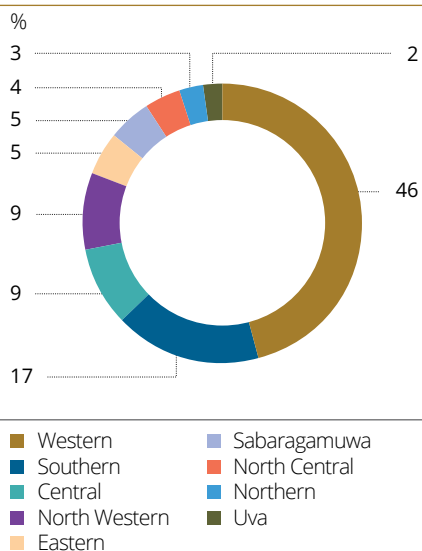
Way Forward

The Bank will work on the premise that growing the network of eZ cash sub-agents will be critical to the future success of the “eZ Banking service”. Accordingly, the medium term goal would be to increase the existing sub-agent network during the year 2023. Over the longer term, it is hoped that phase II of the “eZ Banking service” can also be activated in order to empower sub-agents to offer a wider range of basic banking services to their customers.

Geographical Distribution of Physical Customer Touch Points

Province	District	Branches	Automated Teller Machines (ATMs)	Cash Deposit Machines (CDMs)	Cash Recycling Machines (CRMs)	eZ Banking Agents	Digital Banking Centres	Total
Northern	Mullaitivu	1	1	2	-	1	-	5
	Vavuniya	2	1	2	2	1	-	8
	Mannar	1	-	1	1	3	-	6
	Kilinochchi	1	1	1	-	2	-	5
	Jaffna	8	8	9	3	16	-	44
Central	Nuwara Eliya	4	6	8	1	25	-	44
	Matale	3	6	6	1	7	-	23
	Kandy	15	20	25	4	75	1	140
North Central	Polonnaruwa	3	3	5	-	5	-	16
	Anuradhapura	6	5	11	4	61	-	87
North Western	Puttalam	8	8	10	4	15	-	45
	Kurunegala	13	17	22	6	123	-	181
Eastern	Ampara	7	8	13	1	24	-	53
	Batticaloa	6	6	7	4	20	-	43
	Trincomalee	4	3	4	-	12	-	23
Uva	Badulla	5	6	8	-	16	-	35
	Monaragala	4	5	6	-	9	-	24
Sabaragamuwa	Ratnapura	8	11	12	-	28	-	59
	Kegalle	6	7	7	3	24	-	47
Western	Colombo	63	147	117	46	208	12	593
	Gampaha	27	50	40	8	246	5	376
	Kalutara	10	15	13	3	96	1	138
Southern	Hambantota	6	5	5	1	16	-	33
	Galle	10	10	11	5	205	-	241
	Matara	8	14	15	1	100	-	138
Total		229	363	360	98	1,338	19	2,407

Province-wise Physical Customer Touch Points



Relocation of Moratumulla Branch

MANUFACTURED CAPITAL



IT Infrastructure

In the current fast-paced digital banking landscape, the Bank's IT infrastructure remains the backbone of its operations. Underpinned by a long range IT roadmap, the Bank has over the years mobilised more and more resources to build robust and resilient IT infrastructure that is at the same time fully updated on par with the latest global standards.

Existing IT systems were significantly enhanced in 2022 in line with the ongoing expansion of the Bank's channel architecture. One of the major developments was the API integration for the eZ banking agent channel roll out. Other notable initiatives included the system augmentation to facilitate digital on-boarding through video conferencing consoles at all newly established digital branches and the introduction of the green PIN. The green PIN is a digitalised ATM pin delivery mechanism that has replaced the traditional printed PIN slip for ATM cards.

Meanwhile, the focus on automation was also intensified with the Sampath Enterprise Business Management System upgraded to enable end-to-end automation of key work streams under the "FINDAS" (Finance Document Approval System - the Finance workflow automation module) and "TTDAS" (Telegraphic Transfer Document Approval System - the International Operations module). Automation initiatives were further expedited with the use of RPA (Robotic Process Automation), where manual processes including the e-Remittance reconciliation, CEFT (Common Electronic Fund Transfer) returns processes as well as routine reporting to the CBSL were all streamlined. Efforts to increase the use of data science also gathered momentum in 2022. Leveraging the Bank's advanced data warehouse capability, a range of data science models were developed and implemented to improve the decision making capability of the credit and recovery operations.

Data analytics was also used extensively to design customised, value added digital banking solutions for specific customer needs, resulting in higher customer retention and improved new customer acquisition.

The cloud migration programme that was initiated in 2021 with the aim of moving all non-core internal processes to the cloud-based environment, also made good headway in 2022 with the latest updated versions of the HRIS and the "Vidvan" learning management platform, both introduced to the cloud environment during the year.

Investment in IT Infrastructure

	Investment (Rs Mn)		YoY Change
	2022	2021	
Computer Hardware	189	321	(41%)
Computer Software	310	182	71%
Total	499	503	(1%)



Way Forward

The Bank will look into the possibility of expanding the use of predictive models to analyse different business scenarios by adding external environmental factors. In parallel, the Bank expects to accelerate its cloud migration journey with the aim of hosting all non-core activities on the cloud in due course.



Digital Channels

Since becoming one of the very first local banks to enter the digital banking space in Sri Lanka as far back as the 1980's, Sampath Bank has time and again proven itself to be among the top digital banks in the country. The Bank has adopted a holistic approach to strengthen its digital channel architecture based on its broader objectives to enhance customer convenience, drive customer digital adoption and also to promote greater financial inclusion across Sri Lanka.

As part of the ongoing channel improvement strategy, several new initiatives were undertaken in 2022, most notably, the Sampath iPIN self-onboarding facility which enables customers to register for the Sampath Vishwa online banking platform using their debit card PIN. Another important development was the Sampath Vishwa Mobile App version upgrade in mid-2022. This latest version upgrade which supports stronger real-time integration between the Sampath Vishwa mobile app and online banking platforms is expected to pave the way for delivering a more robust omni-channel customer experience in the coming years.

Investment in Digital Channels

Digital Channel	Investment (Rs Mn)		YoY Change
	2022	2021	
Sampath WePay	9.9	1.2	722%
Sampath Vishwa	1.5	-	100%
Total	11.4	1.2	844%



The Bank also partnered with a leading mobile network service provider in Sri Lanka to launch the “Tourist Fuel Pass” - a unique solution that serves a dual purpose of supporting the tourism industry recovery, while drawing in foreign currency.

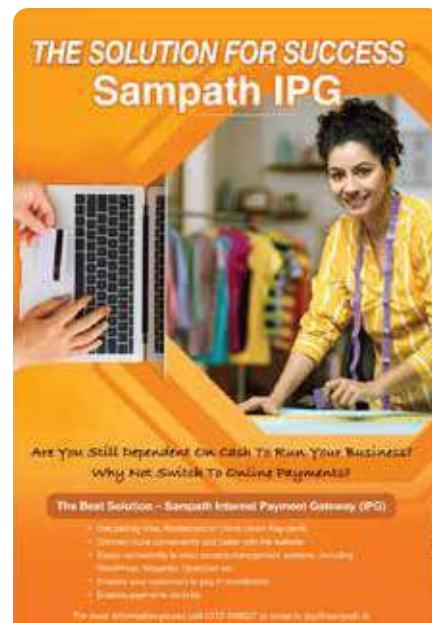
The Sampath WePay wallet app was updated with several new add-ons allowing users to request for money from another WePay customer, issue internal fund transfer instructions and activate push notifications. The QR integration to the Bank’s IPG was also initiated which results in a more simplified scanning experience for QR-driven online transactions.

A series of tailor-made solutions were implemented to support customers in various sectors and industries, such as the dedicated fee management and payment solution for educational institutions. The Bank also partnered with a leading mobile network service provider in Sri Lanka to

launch the “Tourist Fuel Pass” - a unique solution that serves a dual purpose of supporting the tourism industry recovery, while drawing in foreign currency.

The scope of the Cash Management Solutions (CMS) framework was further expanded. CMS, is a fully-fledged product that allows user companies to seamlessly automate a range of manual processes and also benefit from real time updates of financials, enhanced security, etc. A strong uptake for CMS was observed in 2022 as corporates looked for convenient and cost effective alternatives to cope with the practicalities of the fuel and energy crisis in the country.

At the same time, planned upgrades to the Sampath Vishwa Corporate platform saw the government payments module being further enhanced, while the final phase of the trade related process automation, which involved digitalising the bank guarantee application, was also successfully completed during the year. Another notable development was the launch of an ambitious initiative to implement Open APIs that would enable selected corporate clients to access their financial data in real time.



Sampath Internet Payment Gateway Awareness Campaign



Way Forward

Given the increasingly unpredictable economic environment, the focus for the immediate future will be to reinforce Sampath Bank's competitive position in the digital banking space vis-à-vis innovations that enhance the customers' digital experience. Ongoing digitalisation and process automation initiatives will also be further expedited with a view to improving employee productivity and reducing cost-to-serve.

Equally importantly, the Bank will strive to align its efforts to support the national digital drive as outlined by the CBSL's digital roadmap. Towards this end, the focus will be on expanding the range of low cost, value added digital channels in order to promote greater financial inclusion across Sri Lanka.



Tourist Fuel Pass



INTELLECTUAL CAPITAL

Value Creation Scorecard

Strategic Objectives

Competitive Positioning



Operational Excellence



Business Resilience



Intellectual Capital Overview

Area	Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Brand Equity 	Medium Term	To reinforce Sampath Bank's unique Brand identity as Sri Lanka's most digitally equipped commercial bank, while retaining its strong traditional values of the country.	Sampath Bank received top honours at the National Best Quality ICT Awards 2021 (NBQSA), clinching the overall Gold Award for the 'Most Innovative Bank' as well as the Gold Award - Banking, Insurance and Finance Category.	Continue to strengthen the Sampath brand identity to reflect a world-class bank anchored by traditional Sri Lankan values.
	Long Term	To be positioned as a National bank by making the strongest impact towards improving the country's Economic, Social and Environmental indicators.	Launched the "Pohosath Minissu" campaign to reinforce the key message that "Values are what bind us beyond a transaction".	
Information Security Architecture 	Medium Term	Implementation of a Security Information and Event Management (SIEM) solution to create a centralised mechanism to capture data logs of all security devices across the Bank coupled with a Security Operation Centre (SOC) to enable 24/7 - 365 monitoring of events.	In progress	Implement processes and controls to comply with CBSL Direction No. 16 of 2021 on "Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks" and Personal Data Protection Act No. 9 of 2022.
		Invest in an EDR (Endpoint Detection and Response) solution to facilitate security of End Point Terminals and Servers.		Complete the ISO/IEC 22301 implementation by end 2024.
	Long Term	Implementation of ISO/IEC 27035	In progress	Complete the ISO/IEC 27035 and the ISO/IEC 20000 implementation by end 2025.
		Implementation of ISO/IEC 22301	In progress	
		Implementation of ISO/IEC 20000	In progress	

Business Outcomes

**ZERO 2022**
Data Leakage Incidents**ZERO 2022**
Cyber AttacksDisaster Recovery Site
for Critical Functions

Complementing Other Capitals



Financial Capital

Strong competitive positioning enables the Bank to consistently improve its financial performance.



Manufactured Capital

Facilitates the provision of required system support to assist the performance efficacy of all delivery channels.



Social and Relationship Capital

Builds trust among customers, business partners and the community.



Natural Capital

Working for a well reputed, strong, reliable organisation builds loyalty and inspires pride among employees.

Contribution to Sustainable Development Goals



Target 8.1: Sustainable Economic Growth

Awards and Accolades

Brand Excellence



- #1 Most Loved Bank - LMD Brand Finance Awards
- Top 10 in the Most Valued Entities Index - LMD Brand Finance Awards
- #7 in the Business Today TOP 40 for 2021 - 2022



International Recognition



Two key awards at the Dragons of Asia 2022 Awards:

- Gold Award for "Best Mobile Marketing Campaign" for "Touchless Cash Withdrawal"
- Bronze Award for "Best Digital Campaign" for "Touchless Cash Withdrawal"

www.sampath.lk

Scan this QR code for more details on Bank's Awards and Accolades

INTELLECTUAL CAPITAL

Business Excellence



Most number of awards at the LankaPay Technnovation Awards 2022:

- Overall Silver Award for "Outstanding Achievements and Excellence in Interbank Digital Payments"
- Gold Award for "Most Innovative Bank of the Year"
- Gold Award for "Bank of the Year for Excellence in Customer Convenience"
- Gold Award for "Best Acquirer on Lanka Pay Online Payment Platform"
- Merit Award for Bank of the Year for Financial Inclusivity - Category A



'Best Commercial Bank' and 'Best Retail Bank' for the 9th consecutive year at World Finance Banking Award (UK)



Two most coveted awards at the NBQSA - National ICT Awards 2022:

- Overall Gold Award
- Gold Award - Banking, Insurance & Finance Category



Awards received in 2022
acknowledge Sampath Bank's desire to drive excellence in every aspect of the business.

Corporate Stewardship



Four major awards at the Best Corporate Citizen Sustainability Awards 2022 conducted by the Ceylon Chamber of Commerce:

- Overall 1st Runner Up
- Ranked among the Top Ten Best Corporate Citizens
- Triple Bottom Line: Social Sustainability (People) Award - Winner
- Community Relations Category Award - Winner



- Gold Award for CSR Brand of the Year 2022 - SLIM Brand Excellence Awards 2022
- 'Market Leader - CSR', Sri Lanka - Euromoney Awards 2022
- 'Best Bank for CSR', Sri Lanka - Asiamoney Magazine 2022

Other Awards



Merit Award for www.sampath.lk under Best Corporate, Banking and Finance Category - Bestweb.lk 2022 Award Ceremony



Brand Equity

Since first opening its doors to Sri Lanka's banking public in 1987, Sampath Bank has remained steadfast in its brand promise - in that the Bank has continued to pledge to support the country's journey to achieve economic empowerment and drive sustained socioeconomic progress by creating opportunities for individuals and local businesses to achieve financial security. In striving to live up to this purpose, the Bank is guided by the time honoured traditions and inherent cultural values that form the identity of every Sri Lankan.

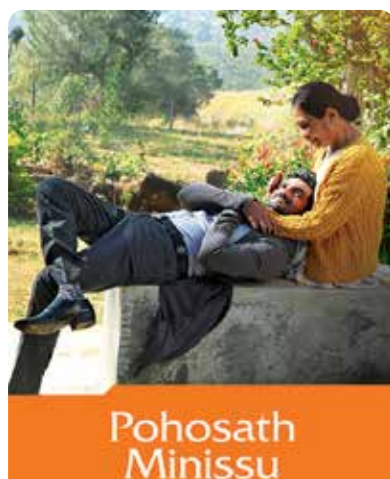
With the country at a crossroads economically and socially, the Bank embarked on a new corporate campaign in 2022 under the theme "Pohosath Minissu" to reinforce the key message that "values are what bind us beyond a transaction". The idea here is to create a fundamental distinction that unifies the Sampath brand with the country's roots by establishing its connection to the much larger Sri Lankan identity.

To resonate the concept of "Pohosath Minissu", the Bank stepped up efforts to support communities who had been facing hardships, first due to challenges



Gold Award for "CSR Brand of the Year 2022" - SLIM Brand Excellence Awards 2022

surrounding the COVID-19 pandemic and more recently as a result of the economic crisis in the country. In this regard, the Bank's flagship CSR initiative - the "Wewata Jeewayak" tank restoration programme was further accelerated, with 4 new tank restoration projects undertaken in 2022. The Bank has also undertaken to restore canal system of Nalawagama Wewa in Nochchiyagama as the 2nd phase of Nalawagama Wewa restoration project. The "Wewata Jeewayak" initiative, which was launched in 2007 and has since continued to generate considerable goodwill for the Sampath brand thanks to its dedication to support livelihood development of rural agri-based



Pohosath Minissu campaign



Overall First Runner-up at the Best Corporate Citizen Sustainability Awards 2022 conducted by the Ceylon Chamber of Commerce

INTELLECTUAL CAPITAL

communities across Sri Lanka. In recognition of these long standing efforts, Sampath Bank was bestowed the highly coveted Gold award for the 'CSR Brand of the Year', at the 21st SLIM Brand Excellence Awards 2022. The commitment to CSR received international acclaim as well in the current year, with Sampath Bank recognised as the 'Market Leader - CSR', Sri Lanka by the Euromoney Magazine 2022 and as the 'Best Bank for CSR' by Asiamoney Magazine 2022.

Continuing to demonstrate leadership in difficult times, Sampath Bank joined a number of peer banks in the spirit of solidarity and partnership to launch the 'Cycle to Work' initiative. The effort was designed to advocate eco-friendly, healthy, and economical mode of transportation and thereby offering a solution to the challenges arising from the fuel crisis that crippled transport infrastructure for several months in mid-2022. The programme was inaugurated in Colombo on Thursday, 16th June 2022, with a presence of nearly 100+ cyclists from all participant banks.

Meanwhile, Sampath Bank's unequivocal commitment to service excellence despite recent challenges, the ability to deliver resilient financial performance and maintain balance sheet stability even in tough times, are the other key factors that indelibly strengthened the Bank's



'Cycle to Work' initiative



National Best Quality ICT Awards 2022



LankaPay Technnovation Awards 2022

brand equity in 2022. Sampath Bank remained among the top three private banks in Sri Lanka, backed by its total assets of Rs 1.3 Tn.

The numerous awards and accolades received during the current financial year, further endorses the Bank's commanding position in the local banking industry. At the LMD Brands Annual Publication for 2022, Sampath Bank was again ranked as the "Most Loved Banking Brand" in the country, while also securing a spot among the highly coveted Top 10 'Most Valuable Consumer Brands' for 2022. These achievements were further validated on the global stage through the recognition received from international awarding bodies such as at the prestigious World Finance Banking Awards 2022 by UK

based World Finance magazine, where Sampath Bank was declared Sri Lanka's 'Best Retail Bank' and 'Best Commercial Bank' for the 9th consecutive year.

As always, Sampath Bank's digital superiority continued to receive commendations both locally and internationally. Sampath Bank became the first bank to win the overall gold in the history of the National Best Quality ICT Awards 2022 (NBQSA), by securing the Gold Award - Banking, Insurance & Finance in the consumer category for Sampath iPIN solution. At the LankaPay Technnovation Awards 2022, the Bank won big, securing 5 top awards for digital excellence, 3 Golds, 1 Silver and 1 Merit award.



Information Security Architecture

In the increasingly complex world of digital banking, Sampath Bank's Information Security Architecture plays a vital role in safeguarding the Bank's integrity and reputation. As such, the Bank remains fully committed to ensure that its information security architecture continues to evolve in tandem with the latest global developments in the field.

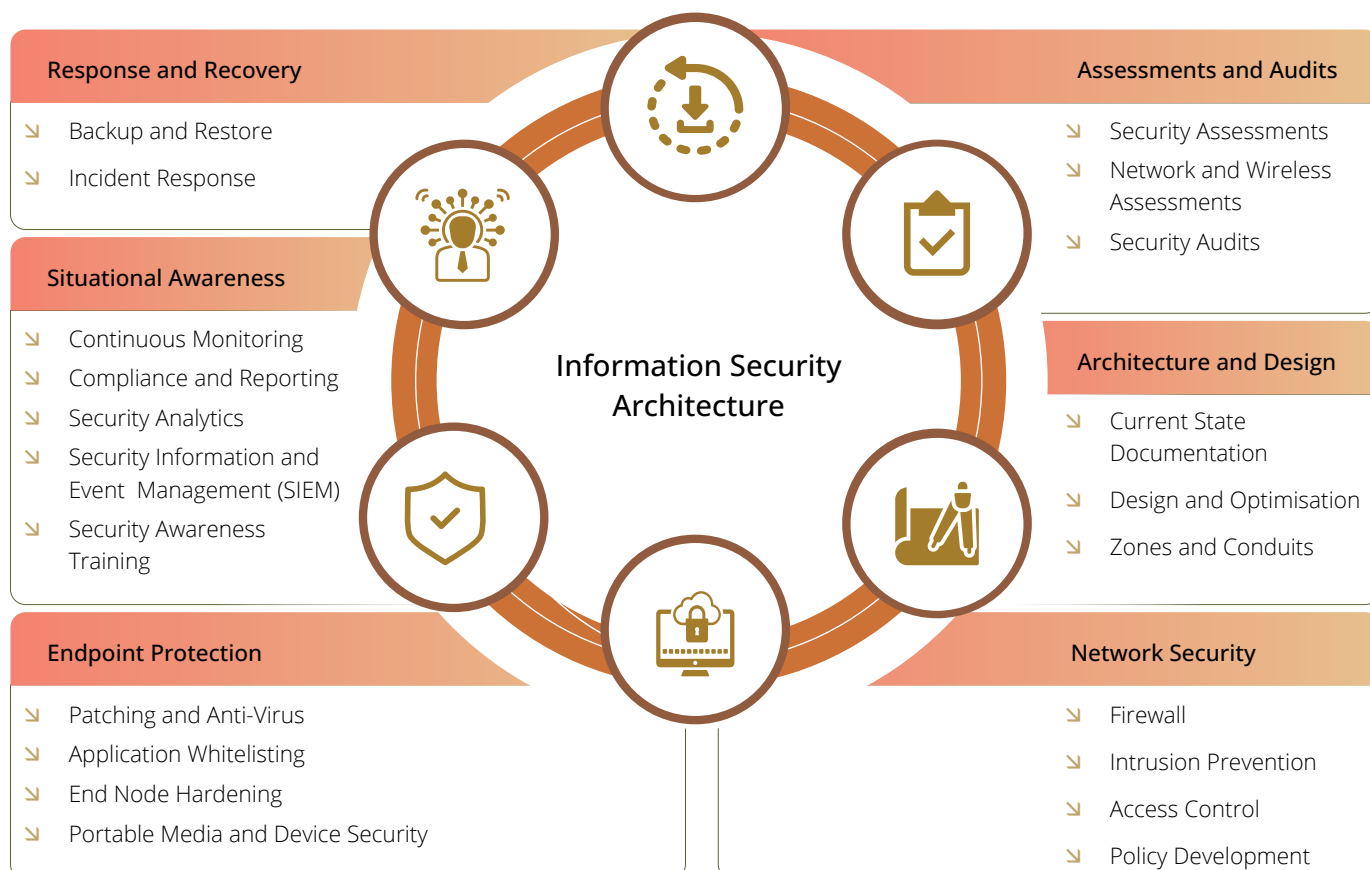
The ISO recertification audit was completed in 2022, enabling the Bank to obtain the ISO 27001:2013 certification for a further 3 year period (2022 - 2025). The CBSL regulatory compliance audit was also carried out as scheduled. These audit findings did not reveal any significant non-conformities.

Routine internal audit programmes were also conducted by the Bank's Information Security Department and the Systems Audit Department to identify potential gaps in the Information Security Management System (ISMS) applied to the Information Security Eco System.

Quarterly vulnerability assessment and annual penetration testing programmes continued as usual, while threat alert reports by FinCSIRT, VISA and other experts were carefully scrutinised and appropriate action taken to further strengthen the Bank's systems against such threats. Meanwhile, on the recommendation of the SWIFT compliance team, the Bank appointed an independent third party to implement the SWIFT Customer Security Programme (CSP) in order to improve due diligence in the SWIFT system.

In parallel, the annual Information Security risk assessment was conducted under the oversight of the Information Security Department. Covering 62 Business Units and 15 Branches included in ISO 27001:2013 scope, the Information Security risk assessment serves as the foundation for continuous and ongoing efforts to strengthen information security architecture at a granular level.

The Bank made good headway in complying with the CBSL Direction No. 16 of 2021 on "Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks". A gap analysis was completed and a detailed action plan drawn up to systematically address all gaps and ensure implementation of corrective action ahead of compliance deadlines. Phase I of the action plan which involved a detailed review of the existing IT policies, saw the following policies being further updated:

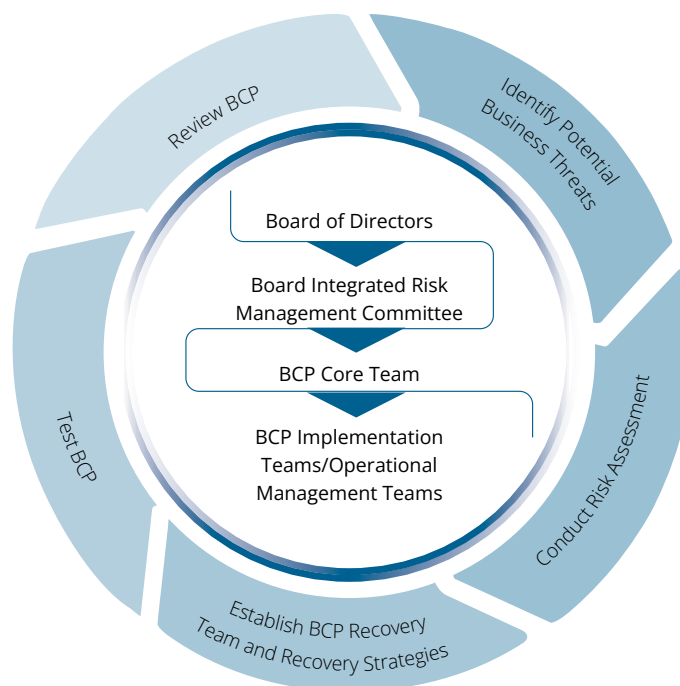


INTELLECTUAL CAPITAL

- Access Control Policy
- Acceptable Usage Policy
- IT Compliance Policy
- High-Level Information Security Policy
- Email Access and Usage Policy
- Cardholder Data Management Policy
- Information Systems Acquisition, Development and Maintenance Policy
- Third Party Organisation and Vendor Support Services Connection Policy

Additionally, to complement the data classification initiatives undertaken in 2021, the Bank invested in a new DLP (Data Leakage Prevention) solution for the protection of the Bank's data in internal systems and to safeguard data on the cloud. Awareness building initiatives also continued. Bank staff were provided online training, while email campaigns and social media banners were run to educate customers on information security risk triggers.

A new Cloud Computing Policy was approved by the Board. The new policy references the latest developments in the ISO standard as well the CBSL Direction No. 16 of 2021. In parallel, Sampath Bank's information security way forward was also reviewed and a new 3-year strategy formulated taking into consideration the latest developments in the local and global context.



Business Continuity Planning

The importance of a strong Business Continuity Plan (BCP) has never been more apparent than in the past few years, first during the COVID-19 pandemic in 2020 and 2021 and the more recent fuel and energy crisis in 2022.

Having taken broad-based measures to realign the BCP in response to pandemic related challenges, the Bank was able to seamlessly mobilise its BCP protocols to overcome the challenges arising from the fuel and energy crisis and continue with business as usual. Accordingly throughout much of 2022, mission critical core functions including Network Services

Centre, Treasury, Customer Care Centre, Finance, International Operations, Trade Services, FCBU, e-Remittance and Secretariat continued to operate out of specific Disaster Recovery (DR) sites.

A special steering committee was also put in place to provide continuous support to business units to enable them to maintain uninterrupted functionality. The committee was further tasked with reviewing and updating the BCP protocols, as needed to keep pace with the fast evolving situation. Scheduled system simulations were conducted to ensure readiness of all critical functions, while DR sites for critical departments were repeatedly tested to ensure uninterrupted service.

Meanwhile the Risk Management Unit began the process of developing the Recovery Policy (RCP) together with appropriate governance and oversight structure, which after being finalised will likely require the BCP to be further updated in due course.

Way Forward

Implement process and controls to comply with CBSL Direction No. 16 of 2021 on "Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks" and Personal Data Protection Act No. 9 of 2022. Several ongoing projects are also expected to be completed over the next few years. The implementation of a Security Information and Event Management (SIEM) solution to create a centralised mechanism to capture data logs of all security devices across the Bank coupled with a Security Operation Centre (SOC) to enable 24/7 - 365 monitoring of events, are on schedule to be completed by early 2024.

The implementation of ISO/IEC 22301, is on track to be completed by end-2024, while the ISO/IEC 27035 started in the latter part of 2022 are expected to be completed by end-2025.



HUMAN CAPITAL

Value Creation Scorecard

Strategic Objectives

Cost Management



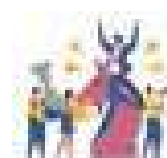
Operational Excellence



Customer Experience



Competitive Positioning



Human Capital Overview

Area	Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Learning and Development 	Medium Term	Expand the pool of internal specialist trainers in selected areas such as Operations, Credit and Recoveries in order to build a cohesive performance driven culture across the Bank.	➤ Certified Credit Practitioner Programmes for Team Sampath (Level 1)/Team members nominated by the Management (Junior Executive I to Manager grades). ➤ Discussion of Case Studies for Branch Managers, Assistant Branch Managers, Credit Officers of Branches and Officers involved in Recoveries.	➤ Develop and implement a culture shaping initiative to improve future orientation of teams. ➤ Live activation of the Performance Management System for the 2023 performance evaluation cycle.
Digital Solutions 	Medium Term	Augment the Employee Value Proposition (EVP) by enhancing the employee digital experience.	➤ Development of a new Performance Management System to ensure employee performance is accurately reflected through rewards and recognition. ➤ Invested in a more robust, cloud-based Human Resource Information System (HRIS) architecture.	

Business Outcomes



96.3%
2022

Employee
Retention Ratio



81%
2022

Employee
Satisfaction Ratio



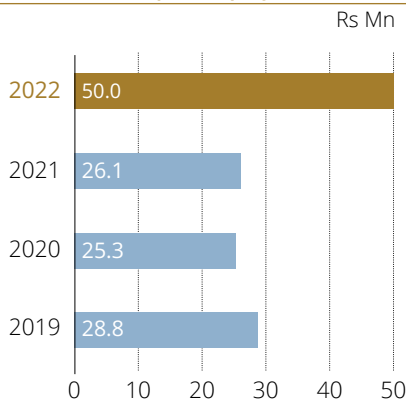
2.77
2022

Branch Bench
Strength Score

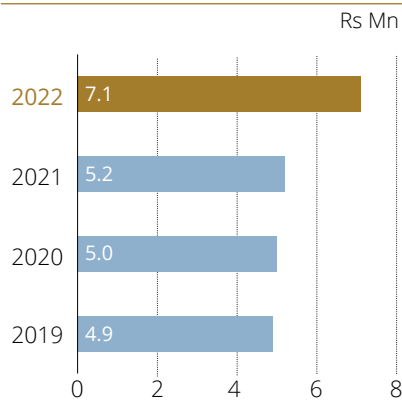
HUMAN CAPITAL

Business Outcomes

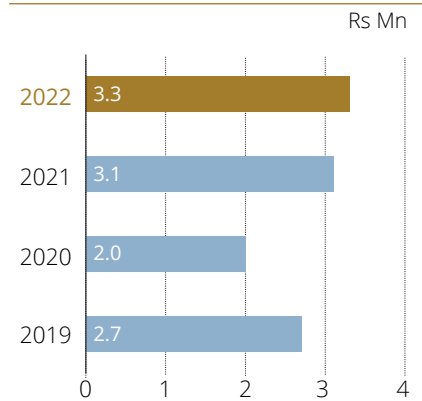
Gross Income per Employee



Cost per Employee



Profit per Employee



Complementing Other Capitals



Financial Capital

Performance driven culture supports the business strategy to achieve higher financial performance.



Manufactured Capital

Learning and development interventions help employees to become more productive through better use of resources.



Intellectual Capital

A highly talented and motivated team enhances the Bank's competitiveness and bring in the competitive edge.



Social and Relationship Capital

Empowered employees are better equipped to deliver the Bank's value proposition to its customers.

Contribution to Sustainable Development Goals



Target 3.4: Reduce mortality from non-communicable diseases and promote mental health.

Target 3.8: Achieve universal health coverage.

Target 4.3: Equal access to affordable technical, vocational and higher education.

Target 4.7: Education for sustainable development and global citizenship.

Target 5.1: End discrimination against females.

Target 5.5: Ensure full participation in leadership and decision-making.

Target 5.8: Promote empowerment of women through technology.

Target 16.5: Substantially reduce corruption and bribery.

47

team members who have served the Bank for 25 years were recognised with Long Service Awards.

Rs 461 Mn

worth of ex gratia payments made to the employees as a relief for the economic crisis.

Free
Transportation

provided to employees residing in the Western province.

124,304

of total learning hours.

Governance and Best Practices

Governance and best practices are fundamental principles that frame Sampath Bank's approach to managing its Human Capital. The Bank has always given the highest priority to complying with all applicable labour laws and the early enactment of new regulatory developments. The most recent regulatory change - the directive amending the mandatory retirement age with effect from November 2021, was fully implemented Bank-wide.

Moreover, Sampath Bank has consistently demonstrated leadership in the adoption of global best practices to create a world-class work environment that will allow employees to grow and thrive. In 2022, the Bank proceeded with the full-scale roll out of the "Anti-Bribery and Corruption Policy" (ABC Policy) and the "Policy on Accepting and Presenting of Gifts and Favours" (Gift Policy). The ABC Policy aims to imbue the culture of ethics among Bank employees and all other stakeholders authorised to act for and on behalf of the Bank, including independent advisors, outsource partners, third party contractors etc. The Gift Policy, which is more specific, seeks to reinforce ethics by setting out terms and conditions for the granting and accepting of gifts by Bank staff. A key mandate of the Gift Policy is that it strictly prohibits Bank staff from granting or receiving facilitation payments.

Both policies were formally incorporated into the Bank's online Employee Manual on 8th July 2022. In parallel, a specially curated online training programme was conducted to educate Branch Managers, Assistant Branch Managers and Senior Management about policy guidelines and their practical application. This one-day external training programme also included a special segment on the Bank's Grievance Handling Policy.

In related developments, the Whistleblowing Policy was updated with the inclusion of the Chairman of the Board Audit Committee and the Company Secretary as additional contact points for raising whistleblower complainants. This was followed up with the structured training programme themed 'Zero fraud culture and Whistleblowing Policy' to inform all employees on the key functions and features of the policy. The updated Whistleblowing Policy was also included as a part of the mandatory reading material in the digital on-boarding process for new recruits.

The Transfer Policy was also modified to accommodate the creation of a specialised resource pool for the Bank.

Remuneration and Benefits

Sampath Bank has always taken great pride in its competitive and industry leading remuneration and benefit structures. In the year under review,

Measuring Employee Satisfaction

In a bid to obtain a more accurate and objective view of employee satisfaction levels, Sampath Bank commissioned an independent consultant to conduct a diagnostic study in 2022. The study revealed an overall employee satisfaction average of 81%. The study also provided some important insights regarding areas for improvement.

The new Performance Management System and the Performance Based Bonus Scheme developed in 2022 is planned to be implemented in 2023 in response to the suggestion for a more streamlined approach to match rewards to performance.

the Bank continued to further improve the relevance of the benefits offered to employees.

In light of the ongoing economic crisis and its related impacts, an ex gratia payment of Rs 461 Mn was offered to Team Sampath. Several of the existing travel allowance schemes, including the Disturbance Allowance, Distance Travel Allowance, Travelling Allowance for Outstation Branches, Accommodation Allowance and Regional Managers' Allowance, were

HUMAN CAPITAL

all enhanced in response to inflationary conditions, while a number of additional benefits were granted to assist employees during the fuel crisis in mid 2022. A fleet of luxury buses were deployed across selected routes to enable the team members to commute to their assigned work location. This programme, which began at the onset of the fuel crisis, was continued up until the end of the year. Another novel programme was the “Cycle to Work” initiative, a cost free, eco-friendly and healthy solution to help employees to overcome the fuel crisis. The “Cycle to Work” initiative, which was implemented on selected routes where a majority of team members reside, was kicked off in June 2022 at the Diyatha Uyana, with the participation of over 100 cyclists. While the programme was inaugurated in Colombo, the effort was a Bank-wide one, where employees at all 229 Sampath Bank branches across the country were encouraged to participate. All participants were offered a special incentive, along with a complimentary cycling kit and as well as training to promote rider safety on the streets, while employees inclined

to invest in a bicycle were offered a six-month zero percent instalment plan under the Sampath Mastercard, Visa or American Express credit card. Safe parking spaces in security-patrolled areas, facilities for showering and changing, were also provided by the Bank. In August 2022, the Bank arranged for a one-day workshop where cyclists were able to receive a free inspection of the condition of their bicycles by Wurth Lanka (Pvt) Limited, and obtain necessary maintenance support including chain de-greasing and lubrication.

Meanwhile, inspired by the massive success of the “Cycle to Work” initiative, the programme was extended as an

industry-wide effort with the patronage of several peer banks. This new industry-wide programme was launched in August 2022 under the banner “Bankers’ Ride”.



Free transport service provided by the Bank

Key Highlights - 2022



10.5%

Salary Increment



Rs 1.58 Bn

New Housing Loans



Rs 185 Mn

New Vehicle Loans



Rs 4.56 Bn

New Emergency Loans

Sampath Bank Benefit Structure

► GRI 401-2

Description	Permanent Employees	2022 Contract Employees	Differently-abled Employees	Permanent Employees	2021 Contract Employees	Differently-abled Employees
Profit Bonus	✓	✓	✓	✓	✓	✓
Salary Increment	✓	On renewal of agreement	✓	✓	On renewal of agreement	✓
Allowances (as applicable)	✓	✓	✓	✓	✓	✓
Reimbursement of Course Fees/Exam Fees	✓	-	✓	✓	-	✓
Medical Facilities	✓	-	✓	✓	-	✓
Holiday Bungalow Facilities	✓	✓	✓	✓	✓	✓
Special Non-technical Training	✓	✓	✓	✓	✓	✓
Special Programmes for Children of Employees	✓	✓	✓	✓	✓	✓

GRI 405-2

Basic Salary and Remuneration Ratio by Gender and Employee Category

Description	2022		2021	
	Male	Female	Male	Female
Corporate Management	1.00	1.00	1.00	0.88
Senior Management	1.00	0.98	1.00	0.97
Executive Management	1.00	1.02	1.00	1.03
Middle Management	1.00	1.00	1.00	1.02
Junior Management	1.00	1.00	1.00	0.99
Operational Staff	1.00	0.97	1.00	1.06

The Bank has given an equal opportunity for all employees and does not tolerate any form of unfair discrimination on the basis of race, gender or disability. The ratio of basic salary at the entry level for male and female is 1:1. However, this ratio may change due to different service periods of employees in the Bank and elevation of the salary grade due to promotions.

Talent Management

Talent management activities gathered momentum in 2022. Stronger emphasis on succession planning saw a special four-part training series introduced for KMPs (Key Management Personnel).

A new batch of participants from middle management on-boarded to the "Future Leaders" programme – the Bank's main people development programme. Meanwhile, job rotations offered as part of the Bank's talent management programme saw 1,092 employees across the branch network benefitting from such opportunities. Job rotations have proven to be an important capacity building tool, especially to improve the overall competency of branch teams. In testimony to this, the overall BBS (Branch Bench Strength) Score saw 2.77 in 2022.

In 2022, the Bank took a major step forward in improving the effectiveness of its talent management programme by developing a new Performance Management System and Performance Based Bonus Scheme. The proposed mechanism which creates a direct link between employee performance and rewards, was custom developed for Sampath Bank under the guidance of a global consultancy firm. The new Performance Management System and Performance Based Bonus Scheme with its advanced algorithms and precision-

driven tools to measure and rate employee performance, is geared to provide a more objective and impartial assessment of the individual and team performance and ultimately ensuring rewards reflect performance. With the new system expected to go live for

the first time in the 2023 performance evaluation cycle, a Bank-wide communication campaign was launched to help employees understand the new system and gain an insight into how their performance will ultimately be reflected in their rewards.


1,092
2022

Job Rotations


197
2022

Staff Promotions

Future Leaders Programme Update - 2022

Programme Details	Target Group
Certification programme on Board Leadership	1 Director
Networking and Mentoring with Board Leaders	2 Corporate Management Members
Women on Boards	5 Female Middle Management Employees
WIM (Women in Management) Leadership Series: Lead without Titles	13 Female Middle Management Employees

New Recruits - Age Group and Gender

GRI 401-1

Age Group	2022				2021			
	Male	Female	Grand Total	%	Male	Female	Grand Total	%
18-20	8	15	23	7.4	20	2	22	20
21-30	94	163	257	83.2	42	34	76	69.1
31-40	11	12	23	7.4	6	4	10	9.1
41-50	4	2	6	2.0	-	-	-	-
Above 50	-	-	-	-	2	-	2	1.8
Grand Total	117	192	309	100	70	40	110	100
Percentage [%]	38	62	100		64	36	100	

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New Recruits - Province and Gender

Province	2022				2021			
	Male	Female	Grand Total	%	Male	Female	Grand Total	%
Central	17	24	41	13.3	-	1	1	0.9
Eastern	1	6	7	2.3	6	-	6	5.5
North Central	3	3	6	1.9	-	-	-	0.0
North Western	11	6	17	5.5	1	1	2	1.8
Northern	-	4	4	1.3	1	-	1	0.9
Sabaragamuwa	8	4	12	3.9	1	-	1	0.9
Southern	21	18	39	12.6	1	1	2	1.8
Uva	7	4	11	3.6	1	-	1	0.9
Western	49	123	172	55.6	59	37	96	87.3
Grand Total	117	192	309	100.0	70	40	110	100.0
Percentage [%]	38	62	100		64	36	100	

Turnover - Age Group and Gender

GRI 401-1

Age Group	2022				2021			
	Male	Female	Grand Total	%	Male	Female	Grand Total	%
Above 55	-	-	-	-	-	-	-	-
51-55	14	13	27	7.2	18	18	36	24.8
41-50	19	11	30	8.0	6	6	12	8.3
31-40	92	74	166	44.4	18	27	45	31.0
21-30	78	68	146	39.0	30	18	48	33.1
18-20	2	3	5	1.4	3	1	4	2.8
Grand Total	205	169	374	100.0	75	70	145	100.0
Percentage [%]	55	45	100		52	48	100	

Turnover - Province and Gender

Province	2022				2021			
	Male	Female	Grand Total	%	Male	Female	Grand Total	%
Central	9	7	16	4.3	2	5	7	4.8
Eastern	14	1	15	4.0	2	2	4	2.8
North Central	5	3	8	2.3	-	-	-	-
North Western	4	2	6	1.6	4	-	4	2.8
Northern	1	1	2	0.5	2	-	2	1.4
Sabaragamuwa	2	1	3	0.8	-	-	-	-
Southern	3	12	15	4.0	5	4	9	6.2
Uva	2	-	2	0.5	1	-	1	0.6
Western	165	142	307	82.0	59	59	118	81.4
Grand Total	205	169	374	100	75	70	145	100.0
Percentage [%]	55	45	100		52	48	100	



In 2022, the Bank took a major step forward in improving the effectiveness of its talent management programme by developing a new Performance Management System and Performance Based Bonus Scheme.

Learning and Development

The 3-year training plan established in 2021 was used as the basis for all training activities undertaken in the current year.

Investment in Training

Rs 52.1 Mn

Rs 4.5 Mn

Investment in Professional Studies

Rs 56.6 Mn

Total Investment in Training and Professional Studies

Training Update - 2022

Priorities and Objectives as per Training Plan	Key Activities for 2022	
	Topics Covered	Target Category
Talent Pipeline - Ensure 1:1 backup successors for identified Key Managerial Positions	Certified Credit Practitioner Programmes	Team Sampath (Level 1)/Team members nominated by the Management (JE I to Manager grades)
Customer Service - Set the benchmark for the best in-class customer service in the local banking sector	Anti-Money Laundering and Regulatory Compliance - Customer Due Diligence	Front-line operational staff attached to Branches
	Canvassing Export Business	Branch Managers, Assistant Branch Managers, Credit Officers and Executive staff
	Digital On-boarding	Team Sampath
Product Knowledge - Provide employees with the right knowledge at the right time to enhance their capacity to support customers to make informed decisions regarding the Bank's products and services	Managing Risk in the Advances Portfolio	Zonal Managers, Regional Managers and Branch Managers
	Foreign Exchange Operations	Branch Managers, Assistant Branch Managers and Frontline operational staff attached to Branches
	Deposit Mobilisation	Assistant Branch Managers and Frontline operational staff attached to Branches
Continuous Learning - Create an environment to inspire employees to continuously improve their skills	Discussion of Case Studies	Branch Managers, Assistant Branch Managers, Credit Officers of Branches and Officers involved in Recoveries
	Information Security	Team Sampath
	Digital Transformation	Team Sampath
	Digital Awareness - New Version of Sampath Vishwa	Team Sampath
	Workshop on the new Performance Based Bonus Scheme	Executive staff attached to Departments
	Operational Excellence	Team Sampath (especially for Frontline operational staff attached to Branches)

Average Training Hours

GRI 404-1

Description	2022	2021
Average Training Hours per Employee	31.5	38.2
Average Training Hours per Female	31.0	44.7
Average Training Hours per Male	31.7	34.8

Average Training Hours per Employee - Category-wise

Employee Category	2022 Average Training Hours per Employee	2021 Average Training Hours per Employee
Corporate Management	42.5	6.0
Senior Management	38.1	16.8
Executive Management	74.8	32.3
Middle Management	38.3	43.6
Junior Management	45.8	59.0
Operational Staff	20.4	34.7
Other Grades	11.5	5.6

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Competency Area-wise Summary

No.	Competency Area	2022		2021	
		Number of Participants	Training Hours	Number of Participants	Training Hours
(1)	Operations (Cash/Accounts Opening/Pawning/Cheques/Clearing/Credit Cards)	8,768	7,698	5,891	6,931
(2)	Credit and Recoveries (Credit/Recovery/SME/Micro Finance)	4,890	9,058	5,810	8,688
(3)	International Operations (Trade/Foreign Currency Operations)	2,907	3,801	3,179	3,239
(4)	Risk and Compliance (AML)	3,726	4,462	2,773	3,170
(5)	Finance and Accounting	847	2,342	2,563	2,361
(6)	Marketing (Products/Branding)	2,540	2,534	1,355	2,783
(7)	Human Resource Management/Health and Wellbeing	2,751	3,041	2,124	991
(8)	Legal and Good Governance	171	381	1,151	3,503
(9)	Other Technical Programmes (Treasury etc.)	5,693	4,234	2,378	3,550
(10)	Orientation Programmes	3,175	9,438	301	7,224
(11)	Customer Service Excellence and Selling Skills	1,214	1,006	3,343	3,786
(12)	Leadership and Management (Competency Development Programmes/Strategic Management/Change Management)	543	3,485	1,146	1,302
(13)	IT Skills (Core Banking System/Digitalisation/Project Management/E-Commerce etc.)	4,360	6,327	3,672	6,169
(14)	Communication Skills (Business Writing/Effective Communication)	926	1,168	214	280
(15)	Other Non-Technical Skills (Train the Trainer etc.)	6,286	8,348	854	887
	Sub Total (Excluding Learn with Vidvan - LMS)	48,797	67,323	36,754	54,864
(16)	Learn with Vidvan - LMS (number of times participants logged into LMS)	19,343	56,981	49,321	98,418
	Grand Total	68,140	124,304	86,075	153,282

Average Training Hours per Year, per Employee by Gender and Employee Category - 2022

► GRI 404-2,3

No.	Competency Area	Participants		Training Hours		Employee Category (Participants)								Grand Total
		Male	Female	Male	Female	Corporate Management	Senior Management	Executive Management	Middle Management	Junior Management	Operational Staff	Other		
(1)	Operations (Cash/Accounts Opening/Pawning/Cheques/Clearing/Credit cards)	5,913	2,855	5,174	2,524	9	183	816	1,853	1,751	4,075	81	8,768	
(2)	Credit and Recoveries (Credit/Recovery/SME/Micro Finance)	3,608	1,282	6,641	2,417	22	250	864	1,192	854	1,683	25	4,890	
(3)	International Operations (Trade/Foreign Currency Operations)	1,948	959	2,511	1,290	26	167	466	665	673	870	40	2,907	
(4)	Risk and Compliance (AML)	2,578	1,148	2,991	1,471	25	160	751	1,246	643	891	10	3,726	
(5)	Finance and Accounting	590	257	1,523	819	54	185	96	197	112	202	1	847	
(6)	Marketing (Products/Branding)	1,695	845	1,691	843	1	34	155	597	584	1,156	13	2,540	
(7)	Human Resource Management/Health and Wellbeing	1,835	916	1,926	1,115	47	208	412	842	397	776	69	2,751	
(8)	Legal and Good Governance	117	54	139	242	-	24	64	44	13	26	-	171	
(9)	Other Technical Programmes (Treasury etc.)	4,234	1,459	3,071	1,163	113	467	904	1,392	916	1,840	61	5,693	
(10)	Orientation Programmes	1,908	1,267	5,123	4,315	5	39	215	428	752	1,621	115	3,175	
(11)	Customer Service Excellence and Selling Skills	807	407	661	345	4	31	100	220	255	550	54	1,214	
(12)	Leadership and Management (Competency Development Programmes/Strategic Management/Change Management)	357	186	2,381	1,104	105	195	199	29	2	6	7	543	
(13)	IT Skills (Core Banking System/Digitalisation/Project Management/E-Commerce etc.)	3,049	1,311	4,459	1,868	5	218	468	1,302	789	1,514	64	4,360	
(14)	Communication Skills (Business Writing/Effective Communication)	641	285	814	354	3	38	224	352	135	167	7	926	
(15)	Other Non-Technical Skills (Train the Trainer etc.)	4,112	2,174	5,375	2,973	80	315	650	1,509	1,152	2,365	215	6,286	
(16)	Learn with Vidvan - LMS (number of times participants logged into LMS)	11,155	8,188	36,848	20,133	56	420	3,969	4,148	4,948	5,609	193	19,343	
	Grand Total	44,547	23,593	81,328	42,976	555	2,934	10,353	16,016	13,976	23,351	955	68,140	

All employees receive regular feedback on performance and career development, and their level of performance is assessed on a regular basis.

HUMAN CAPITAL

Employee Engagement

With the COVID-19 pandemic restrictions gradually being relaxed, the Bank resumed many of its conventional employee engagement activities involving physical interactions. Scheduled monthly SBEA (Sampath Bank Employees' Association) meetings were held from mid 2022 onwards, while the HR Business Partner initiative was also reactivated with the Chief Human Resource Officer and the Deputy General Manager - Operations & Branch Banking visiting all branches across the network in rotation.

The Bank's longstanding employee support arm - the "Helping Hands" counselling cell was also relaunched following the introduction of a specialist team of independent third party expert counsellors accessible 24/7 via the special counselling hotline.

Additionally, the Bank commissioned a global consultancy firm to conduct an employee engagement survey in 2022, which recorded an overall employee engagement score of 81%.

Employee Digital Experience

Working with a clear vision, the Bank has succeeded in automating many of its HR processes over the years. To consolidate and further strengthen these efforts, the existing Human Resource Information System (HRIS) was replaced with a new, more robust cloud-based system in 2022. Following the roll out of this latest version, a range of HR processes, including Employee Information, Absence Management, Loan related functionalities and Payroll operations were migrated to the cloud environment, which in turn has not only improved the efficiency of HR operations but also greatly enhanced the digital experience for employees by offering them convenient 24/7 system access.

Diversity and Inclusion

As a keen proponent of diversity and inclusion in the workplace, Sampath Bank strives to lead by example the advocacy of women in leadership roles. Each year, the Bank undertakes various different programmes aimed at improving gender parity indicators. Some of the most notable initiatives for 2022 were Leadership development forums for female employees in middle management. The forum which included

a focused group led by Sampath Bank's Managing Director Designate - Mrs Ayodhya Iddawela Perera was the first of a series of events that kicked-off as part of international women's day celebrations 2022. The focus group proved to be an important source of feedback to facilitate improvements. In fact it was based on the suggestions received from the focus group discussion that a dedicating counselling hotline was established for female team members.

Another notable initiative was "Let's Talk" - an internal competition to recognise and reward talented orators among female employees. A joint project organised by the HR Department and the Sampath Bank Toastmasters Club, all contestants were given the opportunity to be trained and mentored by veteran Toastmasters and present their skills to the judging panel at the main event held in September 2022.

The Bank collaborated with a leading hospital in Colombo to conduct a special wellbeing programme under the theme "Women on Wellness" to raise awareness among female employees, regarding common health afflicting women. A special "Breast Cancer Awareness" workshop was also conducted in December 2022 for the benefit of female team members.

Apart from these internal initiatives, the Bank made a concerted effort to support a number of external women's empowerment programmes as well. The Bank hosted an open forum titled the "Wonder Women Initiative" to honour the accomplishments of four women leaders in Sri Lanka. The four leaders were Sampath Bank PLC former Deputy Chairperson, Ms Dara Wijayatilake, Dialog Axiata PLC Group Chief Customer Officer, Ms Sandra De Zoysa, McLaren Group Managing Director, Ms Shehara De Silva and Uber Sri Lanka General Manager Ms Bhavna Dadlani Jayawardena, who shared their experiences and success stories on achieving work-life balance.

Other Employee Engagement Initiatives in place during 2022

24/7 HR Hotline for employees.

MD's Desk communication initiative used to share vital information, business progress and convey the management expectations.

MD's Business Club, an internal blog that serves as a platform to receive open feedback from team members.

"Sampath Sandeshaya" in-house magazine published quarterly to share the Bank's clubs/societies' news and employees' articles and contributions showcasing their creativity.

Special WhatsApp Group communications between Branch Managers, Assistant Branch Managers and the Head of HR.

"Sampath Sashreeka", sustainable home gardening designed in line with Bank's continuous effort to provide sustainable solutions to face the current social and economic concerns.

Sampath Bank also signed up as one of the Annual Corporate Partners sponsoring the 'Women on Boards' training programme launched by the Women Directors Forum of the Sri Lanka Institute of Directors.

Focus on Health and Wellness - Key Highlights for 2022



Fire drills.



Free health screening for all staff.



Webinar series on community safety for team members and their families.



Free consultations with a qualified general physician.



Free consultation from the "Counselling Cell" of the Bank with external experts.



COVID-19 vaccination drive.



Awareness on non-communicable diseases/health related issues, through the publication of articles in the "Sampath Sandeshaya" in-house magazine.



Invested Rs 8.7 Mn to update fitness equipment at the Head Office gymnasium.



Health and Wellness Challenges (both team and individual activities).



Cycle to Work initiative.



Online Workshops



Home Gardening



Personal Financial Management



Photography



Lifestyle Transformation

Work-life Balance Initiatives



Sampath Bank Men's Rugby team won the mercantile seven-a-side bowl and the Women's team was crowned runners up



Sampath Bank Hockey "B" Team emerged champions at MHA President's Trophy (F-Division)

Way Forward

- Live activation of the Performance Management System and Performance Based Bonus Scheme for the 2023 performance evaluation cycle.
- Develop and implement a culture shaping initiative to improve future orientation of teams.

HUMAN CAPITAL

Other Human Capital Statistics

Return to Work and Retention Rates after Parental (Maternity) Leave

[GRI 401-3](#)

Description	2022	2021
Employees entitled to Maternity Leave	1,385	1,364
Employees obtained Maternity Leave	82	96
Employees returned to work after Maternity Leave	82	96
Employees still employed 12 months* after taking Maternity Leave	75	94
Return to Work Rate [%]	100	100
Retention Ratio [%]	91	98

*12 months considered from 01.01.2022 to 31.12.2022.

Reasons for Turnover vs Gender

Reason for Turnover	2022				2021			
	Male	Female	Grand Total	%	Male	Female	Grand Total	%
To Join Other Competitor Organisations	9	5	14	3.8	4	1	5	3.4
To Join Other Organisations	40	12	52	13.9	20	7	27	18.6
Migration	84	53	137	36.7	13	18	31	21.4
Higher Studies	6	12	18	4.8	4	1	5	3.5
Personal Reasons	24	39	63	16.9	8	20	28	19.3
Retirement	19	18	37	9.9	20	22	42	29.0
Other	23	30	53	14.0	6	1	7	4.8
Grand Total	205	169	374	100.0	75	70	145	100.0
Percentage [%]	55	45	100		52	48	100	

Composition of Governance Bodies and Breakdown of Employees per Employee Category According to Gender, Age Group, Minority Group Membership and Other Indicators of Diversity - 2022

[GRI 405-1](#)

Age Group	Corporate Management		Senior Management		Executive Management		Middle Management		Junior Management		Operational Staff		Other		Grand Total	%
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male		
18-20	-	-	-	-	-	-	-	-	-	-	13	8	-	-	21	0.5
21-30	-	-	-	-	1	-	6	11	2	7	354	715	30	16	1,142	28.9
31-40	-	-	-	5	8	29	95	228	235	396	299	622	20	16	1,953	49.5
41-50	2	3	11	40	39	131	74	126	45	43	30	2	38	15	599	15.2
51-55	4	20	16	52	18	42	9	15	8	2	1	-	23	10	220	5.6
Above 55	1	3	-	3	1	3	1	-	-	-	-	-	1	-	13	0.3
Grand Total	7	26	27	100	67	205	185	380	290	448	697	1,347	112	57	3,948	100.0
Percentage [%]	21	79	21	79	25	75	33	67	39	61	34	66	66	34		

Type of Employment

GRI 2-7,8

Type of Employment	2022			2021		
	Female	Male	Grand Total	Female	Male	Grand Total
Fixed Term Contract	19	18	37	49	33	82
Permanent	1,179	2,396	3,575	1,291	2,566	3,857
Probationers	73	50	123	21	10	31
Trainees	114	99	213	3	40	43
Grand Total	1,385	2,563	3,948	1,364	2,649	4,013

All categories indicated above are on full-time basis.

Province-wise Staff Allocation

GRI 2-7

Province	No. of Branches/ Units	2022			No. of Branches/ Units	2021		
		Female	Male	Grand Total		Female	Male	Grand Total
Central	23	73	188	261	23	72	194	266
Eastern	18	29	106	135	18	27	117	144
North Central	10	15	91	106	10	18	91	109
North Western	21	66	148	214	21	66	153	219
Northern	13	28	67	95	13	26	70	96
Sabaragamuwa	14	30	102	132	14	30	101	131
Southern	25	79	185	264	25	89	179	268
Uva	9	13	68	81	9	12	69	81
Western	179	1,052	1,606	2,658	174	1,024	1,674	2,698
Overseas Operations	1	-	2	2	1	-	1	1
Grand Total	313	1,385	2,563	3,948	308	1,364	2,649	4,013

Province-wise Employees by Type of Employment

GRI 2-7

Province	2022					2021				
	Fixed Term Contract	Permanent	Probationers	Trainees	Grand Total	Fixed Term Contract	Permanent	Probationers	Trainees	Grand Total
Central	-	259	1	1	261	-	266	-	-	266
Eastern	-	119	1	15	135	-	138	-	6	144
North Central	-	105	1	-	106	-	109	-	-	109
North Western	-	203	2	9	214	-	218	1	-	219
Northern	-	91	1	3	95	-	95	1	-	96
Sabaragamuwa	-	129	1	2	132	-	130	1	-	131
Southern	-	254	2	8	264	-	266	1	1	268
Uva	-	78	-	3	81	-	80	-	1	81
Western	37	2,335	114	172	2,658	82	2,554	27	35	2,698
Overseas Operations	-	2	-	-	2	-	1	-	-	1
Grand Total	37	3,575	123	213	3,948	82	3,857	31	43	4,013



SOCIAL AND RELATIONSHIP CAPITAL

Value Creation Scorecard

Strategic Objectives

Competitive Positioning



Operational Excellence



Customer Experience



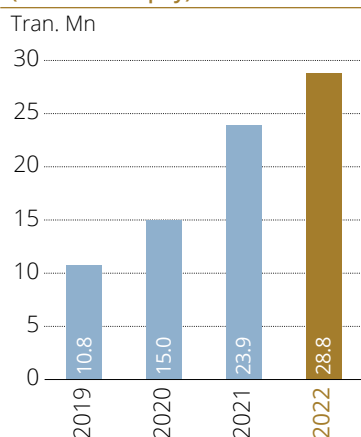
Corporate Citizenship



Social and Relationship Capital Overview

Area	Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Customer 	Medium Term	Invest in creating unique solutions to enhance the customers' digital experience.	Partnered with Paycorp International (Private) Limited, to become the first local bank to allow businesses to benefit from near real-time payment and settlement using any LankaQR enabled apps and digital wallets.	➤ Drive greater digital adoption among customers. ➤ Expand advisory services in order to provide the impetus for SMEs to grow sustainably over time.
	Long Term	Diversify the product basket to drive more focused customer segmentation.	Launch of "Sampath e-Remittance" in partnership with a network of global Fintechs.	
Community 	Medium Term	Deliver sustainable solutions for the community by addressing root causes of issues through the Socially Responsive CSR Model.	Undertook 4 new projects and 2nd phase of the restoration of Nalawagama Wewa, under the "Wewata Jeewayak" tank restoration programme.	➤ Prioritise the development of agri-entrepreneurs with special emphasis on Value Added Agriculture, Climate Smart Agriculture and Water Management Techniques.
	Long Term	Aim to develop industry-leading solutions to make a strong, impactful contribution to the United Nations Sustainable Development Goals.	Extending the "Sampath Saviya" Entrepreneurship Development Programme to foster the entrepreneurship spirit among youth and agri-entrepreneurs across the country.	➤ Pursue collaborative partnerships to support community capacity building programmes for the benefit of a wider cross section of agri-based communities.

Business Outcomes

Digital Transaction Volumes
(Vishwa + Wepay)

2022

High Volume
of Inward
Remittances**ZERO**Incidents of
Customer Privacy
Violations**549**Direct Beneficiaries
(Farming Families) from
"Wewata Jeewayak"
Programme**512**Acres of Paddy Lands
Benefitted from "
Wewata Jeewayak"
Programme

Complementing Other Capitals



Financial Capital

Enhancing the overall customer experience provides the opportunity for the Bank to grow revenue streams.



Intellectual Capital

Insights gained from customers help to prioritise the Bank's investments across physical and digital channels.

Social and Relationship
Capital

Building strong ties with customers and the community enhances Sampath Bank's brand reputation over peers.



Human Capital

Feedback from customers helps to build employee capacity by improving the relevance of training activities.

Contribution to Sustainable Development Goals



Target 1.4: Equal rights to ownership, basic services, technology and economic resources.

Target 1.5: Build resilience to environmental, economic and social disasters.

Target 1.a: Mobilisation of resources to end poverty.

Target 2.3: Double the productivity and incomes of small-scale food producers.

Target 2.4: Sustainable food production and resilient agricultural practices.

Target 2.A: Invest in rural infrastructure, agricultural research, technology and gene banks.

Target 3.8: Achieve universal health coverage.

Target 4.4: Increase the number of people with relevant skills for financial success.

Target 4.5: Eliminate all discrimination in education.

Target 4.7: Education for sustainable development and global citizenship.

Target 5.5: Ensure full participation in leadership and decision-making.

Target 5.B: Promote empowerment of women through technology.

Target 6.4: Increase water use efficiency and ensure freshwater supplies.

Target 6.6: Protect and restore water-related ecosystems.

Target 6.B: Support local engagement in water and sanitation management.

SOCIAL AND RELATIONSHIP CAPITAL

Contribution to Sustainable Development Goals



Target 8.2: Diversify, innovate and upgrade for economic productivity.

Target 8.3: Promote policies to support job creation and growing enterprises.

Target 8.5: Full employment and decent work with equal pay.

Target 8.6: Promote youth employment, education and training.

Target 8.10: Universal access to banking, insurance and financial services.

Target 9.3: Increase access to financial services and markets.

Target 9.4: Upgrade all industries and infrastructures for sustainability.

Target 10.2: Promote universal social, economic and political inclusion.

Target 10.C: Reduce transaction costs for migrant remittances.

Target 11.4: Protect the world's cultural and natural heritage.

Target 13.1: Strengthen resilience and adaptive capacity to climate-related disasters.

Target 15.1: Conserve and restore terrestrial and freshwater ecosystems.

Target 15.5: Protect biodiversity and natural habitats.

Target 17.6: Knowledge sharing and cooperation for access to science, technology and innovation.

Target 17.11: Increase the exports of developing countries.

Target 17.17: Encourage effective partnerships.



Customer

As a responsible bank, Sampath Bank continued to exercise its primary duty towards customers by supporting them in their journey to achieve financial stability and security. Taking into consideration the rapidly changing operating environment, the Bank adopted a dynamic approach to focus on creating targeted solutions that suit the needs of its diverse customer segments in the current economic climate.

Product Innovation

The Bank pursued product innovation as a means of allowing Sampath Bank customers to benefit from market dynamics wherever possible. Following the CBSL's announcement of the policy interest rate hike in April 2022, rate structures for all term deposit formats were revised upward, while a series of flexible tenor options (100, 200, 300 day deposits) were also introduced to give customers the opportunity to leverage the high interest rates.

The most significant product innovation for 2022 by far was the launch of "Sampath e-Remittance" in partnership with a network of global Fintechs. The product is

designed as a convenient, fast and cost effective solution for Sri Lankans living overseas to remit much needed foreign currency to the country safely and legally.

In light of the prevailing restrictions on outward foreign currency remittances, the Bank offered special structured solutions to importers of essential items, while special credit facilities were extended to encourage investment in import substitution and promote local manufacturing. A new LKR denominated pre-shipment facility was also rolled out to assist exporters to meet their working capital needs. Meanwhile, selected retail customers were allowed to meet their foreign currency payments for education, medical and other necessities via their Sampath Cards.

Financial Advisory Services

With countless individuals and businesses under pressure owing to the ongoing economic crisis in the country, the Bank significantly expanded its advisory services to assist affected customers to sustain their operations and meet their debt service

obligations. A new Credit Nursing Unit was formed in 2022 to advise both retail and corporate borrowers in streamlining their cash flows and when needed secure capital infusions etc.

A dedicated internal advisory team was also set up to offer specialist advice to exporters, especially SMEs and start-ups. The export advisory team tied up with the Industrial Development Board (IDB) and Export Development Board (EDB) to conduct free webinars for entry level exporters. As part of this same initiative, the Bank entered into a strategic partnership with Sri Lanka's National Chamber of Exporters (NCE) to provide export customers access to the NCE's global networks.

Meanwhile, as part of the advisory services offered to importers, the Bank undertook to handle negotiations with foreign banks on behalf of selected clients. Additionally, Sampath Bank became the first and only local bank to partner with the Indian Exim Bank to facilitate the smooth flow of imports through the Indian credit line that came into effect in March 2022.

Improving Customer Access

Customer reach and accessibility have been the cornerstone of Sampath Bank's success over the past 35+ years. The Bank's island-wide network of 229 fully fledged branches, 363 ATMs, 360 CDMs, 98 CRMs and banking agents along with the suite of digital channels continue to

support millions of Sri Lankans every day to attend to their banking needs.

In 2022, the Bank took a giant step in expanding its channel architecture with the launch of eZ Banking agents across Sri Lanka in partnership with Dialog Axiata PLC. Replacing the previous agency

banking model, the new eZ banking service is a convenient and cost effective solution for customers to perform basic banking transactions. In this way, the country-wide network of 1,300+ eZ Banking agents greatly enhances Sampath Bank's reach across Sri Lanka.

Enhancing Customer Experience

Launch of the Sampath iPIN - self onboarding facility through the Sampath Vishwa Online Banking Platform		➤ Convenience of self-onboarding ➤ Added security through the use of a virtual PIN activated via dynamic key arrangement
Green PIN		➤ ATM Card PIN delivery process has been digitalised ➤ Promote paperless processes by eliminating the need for printing and mailing of PIN slips to the customer
Upgrading the Sampath Vishwa Mobile App with the introduction of cutting-edge App features		A Single Integrated App Solution that mirrors the features of the online platform
Introduction of new features to the WePay Digital Wallet		Ability to request money, manage internal fund transfers and activate push notifications feature
Updating digital banking centers at branches through facilitating accounts opening via video conferencing		➤ Inclusion of video agent consoles to facilitate self on-boarding of customers ➤ Extended digital experience ➤ Productive time saving to branch staff
Upgrading the 'RemitWise' app with the inclusion of the end-to-end traceability function		Allows users to track their e-Remittance transaction in real time
Enhancement of the Sampath Vishwa Corporate facility with the inclusion of the automated DC (Documentary Credit) module and automated TT (Telegraphic Transfer) module		Expedited processing of LCs (Letters of Credit) and both outward and inward TTs' turnaround times reduced
Completion of the end-to-end digitalisation of the Bank Guarantee request process linked to LC opening		Speeds up the approval process and cuts overall turnaround times
Relaxation of physical FD (Fixed Deposit) certificates and Savings passbook issuance		Promotes paperless processes to prevent customers from maintaining paper records
School fee management solution		Enhanced accessibility and greater convenience for users

SOCIAL AND RELATIONSHIP CAPITAL

Increasing Customer Digital Adoption

Since first embarking on its drive to increase customer digital adoption in 2015, Sampath Bank has made excellent headway in this sphere, most notably during the COVID-19 pandemic period when digital adoption reached a peak. Eager to keep the momentum going, the Bank activated several new measures in 2022 to encourage both corporate and retail customers to migrate to digital mediums for routine transactions.

The Government Payments Solutions portal on the Sampath Vishwa Corporate online banking platform was further updated with Import and Export Control Department, Employees' Provident Fund and Ceylon Petroleum Corporation added in the current year. The Sampath Vishwa Corporate online banking platform already offers connectivity with a range of other government institutions such as the Department of Inland Revenue of Sri Lanka, the Board of Investment of Sri Lanka, Sri Lanka Customs and Sri Lanka Ports Authority. In parallel, the Bank continued to promote the use of its fully fledged Cash Management Solutions to corporates and SMEs.

However, the main strategic thrust for the year was to promote the mainstream use of QR payments. Leveraging its partnership with Paycorp International (Pvt) Limited, the Bank became the first local bank to allow businesses to benefit from near real-time payment and settlement using any LankaQR enabled apps and digital wallets. The Bank achieved another first by becoming the first Sri Lankan bank to facilitate e-commerce transactions via UnionPay International™ (UPI) backed by its latest 3DS 2.0 fraud protection software. This new payment technology is equipped with its secure payment processing, payment gateway, and payment aggregator services supported by direct connectivity to UPI together with advanced fraud protection capability for added user security.



The Bank achieved another first by becoming the first Sri Lankan bank to facilitate e-commerce transactions via UnionPay International™ (UPI) backed by its latest 3DS 2.0 fraud protection software.

Customer Communication and Engagement

As was the case throughout the pandemic, the Customer Care Centre (CCC) team took the lead in reaching out to customers and maintaining ongoing communication with various different segments in 2022 as well. The CCC ran several promotional campaigns and also conducted a series of customer surveys to measure customer satisfaction on recent product launches such as customer on-boarding through video conferencing consoles at all new digital banking centres etc.

Social media was another key platform used to connect with customers. However, with the gradual easing of COVID-19 restrictions, the Bank did resume traditional promotional activities to reconnect and engage more frequently with a wider customer base.

Children's Savings



Sampath Pubudu Children's savings vouchers worth up to Rs 50,000/- to encourage progressive improvement in the savings balance.

Children Art Competition



"Children Art Competition" in the following categories:

- Age 4 - 8 years
Topic: Good Habits
- Age 9 - 13 years
Topic: Good Values

A total of 2,662 entries were submitted via the branch network, with all paintings received being displayed at the respective branches and a virtual art gallery created on the corporate website to feature the winning entries.

Women's Savings

Ladies 1st campaign offering additional rewards to acknowledge incremental growth in the savings balance.

Senior Citizens

Distribution of Sampath Sanhinda medical benefit vouchers valued over Rs 200 Mn.

**General Savings**

Free LED Emergency Bulb campaign to promote general savings initiated in September 2022.

Beneficiaries of Inward Remittances

Offering additional monetary incentives (in line with CBSL directions) for US Dollar for remittances made through the 'Sampath e-Remittance' service.

**Managing Customer Complaints**

Sampath Bank has always placed great importance on receiving customer feedback, including complaints. Towards this end, the existing manual complaint handling was replaced with the roll out of the new fully integrated digital Complaint Handling System (CHS) in mid-2022. As part of the new system, a new online complaint form was also introduced via Google Sheets.

The CHS which now serves as a central platform to capture complaints from all sources (except social media), which has helped to streamline the complaint escalation process and also provide a range of complaint analysis data to support ongoing improvements for the benefit of the customer. One of the key improvements made in 2022 was the extension of the ATM card retention period to 10 days from 3 days to give customers a reasonable time to reclaim their cards in the event they were retained by the ATMs.

Customer Complaint Management Statistics

Area of Complaint	% of Complaint Resolution
Complaints regarding Digital Channels (Sampath Vishwa, WePay, etc.)	100%
Complaints regarding Staff Members	100%
Complaints regarding Bank's Procedures	100%

Customer Privacy

Safeguarding customer privacy is a critical component of Sampath Bank's overall customer value proposition. In 2022, the Bank took some important steps to further strengthen its customer privacy management framework to comply with the Personal Data Protection Act No. 9 of 2022 enacted in March 2022. Accordingly, a Data Protection Officer was appointed to oversee the implementation of the provisions of the act.

The privacy policy on the Bank's corporate website was also updated to provide more clarity to visitors to the site on the collection and responsible use of their Personal Identification Information (PII). These changes were accompanied with a customer awareness campaign conducted on multiple platforms.

There were no incidents of violations of customer privacy reported in 2022.

SOCIAL AND RELATIONSHIP CAPITAL

▶ GRI 203-1,2/413-1



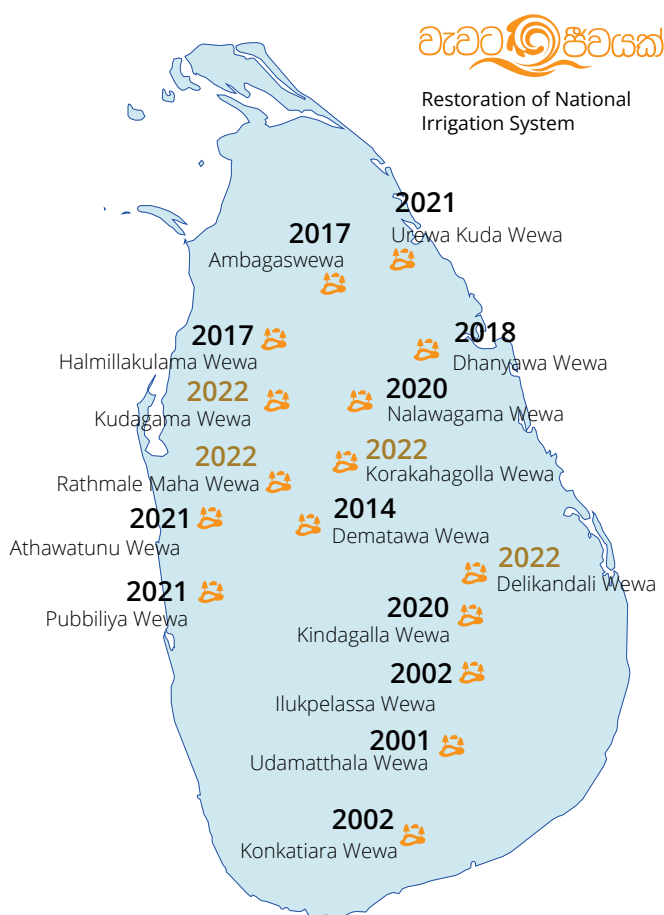
Community

A major part of Sampath Bank's identity as a National Bank stems from the willingness to look beyond business to address the needs of the wider community. Over the years, the Bank has pursued an integrated approach to find solutions for systemic issues that have prevented the country from achieving long-term socio-economic stability.

Driven by its strategic sustainability framework, the Bank continues to invest in projects that challenge and empower communities to elevate their socio-economic status. The framework includes a stringent Project Management and Evaluation Process (PMEP) to ensure every project has the capacity to meet one or more of the following objectives:

- Contribute towards resolving key national issues.
- Support the socio-economic progress of Sri Lanka.
- Provide significant sustainable solutions that address the root cause of socio-economic challenges faced by communities.
- Promote sustainable value creation.
- Promote increased stakeholder engagement among community groups.
- Serve the United Nations Sustainable Development Goals.

The Bank's Corporate Sustainability Department is responsible for managing PMEP as well as for providing oversight for the execution and overall sustainability of all community projects undertaken by the Bank to achieve the aforementioned objectives. (Refer pages 49 and 50 of this Integrated Annual Report for the Project Management and Evaluation Process).



Tanks restored during past two decades by the Bank

As part of its integrated approach to community stewardship, the Bank also encourages its employees to engage in community work on behalf of the Bank. In addition, regular internal communication and awareness sessions aim to help employees understand core issues and to motivate them to utilise their skills to deepen their involvement in grass root level community activities. In this way, the Bank has succeeded in inspiring its branch leadership to dedicate their time and effort to community capacity building programmes.

"Wewata Jeewayak" Tank Restoration Programme (Restoration of National Irrigation System)

The purpose of the Sampath Bank's flagship CSR initiative, "Wewata Jeewayak" tank restoration programme is to restore neglected/damaged irrigation tanks in Sri Lanka's dry and intermediary zones in order to ensure farmers in these areas have access to a reliable, year-round supply of water to cultivate paddy in both in the 'Yala' and 'Maha' cropping seasons, as well as any other ancillary crops throughout the year. By creating the ecosystem to facilitate year-round cultivation, the project has helped small

scale farmers to earn a stable livelihood, while transforming them into agri entrepreneurs capable of making a meaningful contribution to their respective local economies. On an overall basis, the project also makes a strong positive impact on resolving food security issues of rural communities.

Moreover, by reviving ancient and historical infrastructure in this way, the “Wewata Jeewayak” tank restoration programme also reaffirms the Bank’s commitment towards the preservation of Sri Lanka’s national heritage.

In light of the long term economic hardships caused by the COVID-19 pandemic followed by the severe

economic stress caused by the economic crisis that materialised in the early 2022, Sampath Bank made a conscious decision to increase its investment in the “Wewata Jeewayak” tank restoration programme, which saw the Bank undertaking 4 new projects and 2nd phase of the restoration of Nalawagama Wewa in the current financial year.

“Wewata Jeewayak” - Project Summary 2022

	Korakahagolla Wewa	Delikandali Wewa	Kudagama Wewa	Rathmale Maha Wewa	2nd Phase of Nalawagama Wewa	Total
Direct Beneficiaries (Farming families)	100	94 families belonging to the indigenous community	115	90	150	549
Acres of Paddy Lands Benefitted	73	104	45	80	210	512
Stakeholder Partnerships	Mahasen Farmers Association	Dambana Delikandali Wewa Farmers Association	401 Eksath Farmers Association	Parakum Farmers Association	Jayabima Farmers Association	
	Department of Agrarian Development District Office, Matale	Department of Agrarian Development District Office, Badulla	Department of Agrarian Development District Office, Anuradhapura	Department of Agrarian Development District Office, Kurunegala	Department of Agrarian Development District Office, Anuradhapura	
	Community Members	Community Members	Community Members	Community Members	Community Members	

Korakahagolla Wewa in Aluthgama, Dambulla

The Korakahagolla Wewa is situated in Aluthgama, Kalundawa located in the historically significant Dambulla area. Spanning approximately 15 acres, the Korakahagolla Wewa supports around 120 families, who depend on the tank for farming, animal husbandry and other livelihood development activities.

Investigations undertaken as part of the PMEP revealed that due to years of neglect, the tank bund was severely damaged in several places, while the tank bed had become quite shallow due to years of

sludge accumulation, which has caused over 90% of the tank surface to be covered by aquatic plants. The Korakahagolla Wewa became the 13th undertaking under Sampath Bank’s “Wewata Jeewayak” tank restoration programme.



Pre-condition of the tank



Work in progress

SOCIAL AND RELATIONSHIP CAPITAL

Delikandali Wewa in Dambana, Mahiyanganaya

The Delikandali Wewa is located in Dambana in Mahiyanganaya - the heartland of Sri Lanka's indigenous community, the 15 acres Delikandali Wewa has been the primary water source for these indigenous communities. However, the dilapidated condition of the Delikandali Wewa has left these mainly farming families helpless due to the lack of adequate water to irrigate their paddy lands. Over 100 acres of paddy land have been affected in this way, causing immense hardship to 350+ indigenous people who depend on paddy cultivation as their main livelihood.

Following the urgent appeal made by the Delikandali Wewa Farmers Association, Sampath Bank immediately initiated a PMP to discover the scope of work required for the restoration of the Delikandali Wewa. The project undertaken by the Bank involved the restoration of the entire tank, including rebuilding the damaged spill, sluice gate and water distribution canals. Once completed, the tank will enable the indigenous community to benefit from a consistent, year-round water supply to irrigate their farmlands.

The decision to undertake this project also coincides with Sampath Bank's "Pohosath Minissu" campaign, signifying the Bank's quest to portray those values are what bind us beyond a transaction.



Ground breaking ceremony



Executive Director/Chief Financial Officer addressing the gathering



Testimonial



"On behalf of the indigenous community of Dambana, I would like to express my heartfelt gratitude to Sampath Bank for undertaking to restore the Delikandali wewa. While we had made countless requests to numerous authorities over the years, it was to no avail. But when we reached out to Sampath Bank, within a matter of days, officers from their Mahiyanganaya branch visited our community to assess our needs. And considering our desperate situation, the Bank expedited the tank restoration process. Thanks to Sampath Bank, our community now does not have to worry about water for cultivation."

Wanaspathi Uruwarige Wannila Aththo
Leader of the indigenous community, Sri Lanka



Conducting traditional rituals at the ground breaking ceremony



Pre-condition of the tank's spill



Community engagement during the restoration process

Kudagama Wewa in Thalawa, Anuradhapura

The Kudagama Wewa, a 20 acres tank situated in Thalawa, Anuradhapura, is the primary source of irrigation for around 45 acres of paddy land supporting the livelihoods of 115 farming families. It is also a main feeder for a neighbouring water project, which provides clean drinking water for over 500 families in the surrounding villages of Higuruwewa, Tirappane and Acharigama. Through the PMEPP, it was found that at present, the tank's bund was subject to damage by a slowly expanding tunnel resulting in water seeping from the tank through to the

embankment, in turn leading farmers to install sandbags as a temporary solution to stem the outflow. The Kudagama Wewa became the 15th undertaking under Sampath Bank's "Wewata Jeewayak" tank restoration programme.



Pre-condition of the tank bund and sluice



Work in progress

Rathmale Maha Wewa in Rathmale, Maho

The Rathmale Maha Wewa situated in Rathmale, Nagollagama, Maho bears a historical significance to the traditional agriculture-based village communities in the vicinity. With a surface area of 35 acres, the tank has long been the main water source to irrigate 80 acres of paddy land, benefitting 90 farming families. Investigations undertaken as part of the PMEPP revealed that due to years of neglect, the tank bund was damaged in several places, while the tank bed had become quite shallow due to years of sludge accumulation which has caused over 90% of the surface of the tank surface to be

covered by aquatic plants. The canal system was also found to be damaged in several places. To mark the commencement of the restoration, the Bank's Corporate Sustainability team conducted a stakeholders' meeting which saw the participation of officers attached to the Department of Agrarian Development, District Office, Kurunegala and members of the Parakum Farmers' Association, Government officers and villagers.



Pre-condition of the tank



Stakeholders meeting

2nd Phase of Restoration of Nalawagama Wewa in Nalawa, Nochchiyagama

The latest undertaking under the "Wewata Jeewayak" programme is the 2nd phase of restoration of Nalawagama Wewa located in Nalawa, Nochchiyagama. With a surface area of 175 acres, the tank currently provides water to irrigate 210 acres of paddy land, benefitting 150 farming families. Phase 1 of the project completed in 2020, saw the Bank undertaking to restore the tank's main sluice and the two auxiliary sluice gates. Under the phase 2, the Bank hopes to restore water canal system which has been damaged in several places.



Pre-condition of the canal system



Ground breaking ceremony

SOCIAL AND RELATIONSHIP CAPITAL



► GRI 203-1,2/413-1

"Sampath Saviya" was initiated in 2013 with the intention of uplifting and empowering Sri Lanka's Micro, Small and Medium Entrepreneur (MSME) sector.

"Future Business Leaders" - Entrepreneurship Development Programme for Youth

The programme which focuses on inculcating entrepreneurial thinking of the participants was conducted with the aim of motivating youth to be job creators rather than job seekers. A programme was conducted for the benefit of students of the Technical College, Galle and another programme was conducted for undergraduates of Wayamba University of Sri Lanka.



Youth entrepreneurship development programme for students of Technical College, Galle



Webinar on youth entrepreneurship development for undergraduates of Wayamba University of Sri Lanka

'BIZTEP' - Youth Entrepreneurship Development Programme

In 2022, the 'BIZTEP' - Youth Entrepreneurship Development Programme which was initiated in 2021 under the "Sampath Saviya" banner was continued. A collaborative effort between Sampath Bank and the Ceylon Entrepreneurs' Club (CEC), the 'BIZTEP' - Youth Entrepreneurship Development Programme was designed to empower young entrepreneurs in Sri Lanka via the following themes:

- Innovate, ideate and commercialise ideas of young entrepreneurs.
- Generate the entrepreneurship culture in Sri Lanka.
- Promote entrepreneurship ideas in youth sector.

- Finding solutions for problems and concerns faced by young entrepreneurs when starting a business.

The programme comprising 12 sessions was conducted via interactive webinar series to enable participants to understand basic business concepts and learn about taking their business to the next level. The programme also provided opportunities for start-up entrepreneurs to connect and network with CEC members to develop and implement their own viable and innovative business models. The programme ended successfully, benefiting more than hundred start up entrepreneurs.



Awarding a certificate to an entrepreneur for the successful completion of the programme

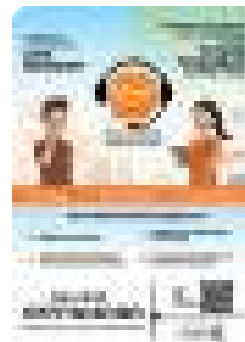


Facilitators of the webinar series

“Sampath Saviya” Business Startup Advisory Service

Given the success of this initiative which was launched in 2021, the Bank decided to further expand the Business Startup Advisory Service in 2022 to offer guidance to start-up budding entrepreneurs regarding the formal business registration process, information to connect with the

relevant institutions and other vital information. Through these efforts, the designated team from Sampath Bank's Corporate Sustainability Department assigned to manage the Business Startup Advisory Service continued to focus on nurturing the entrepreneurship culture around the island.

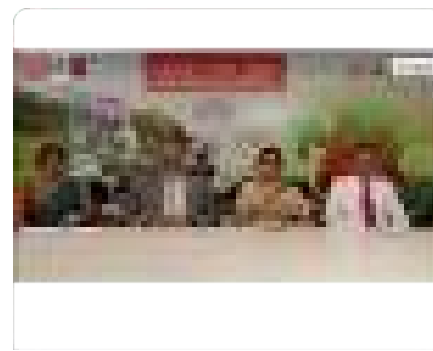


Social media post on business startup advisory service

“Lead the Way - Explore Export Markets” - Webinar for Exporters

Reiterating the commitment to boost the country's export revenue, Sampath Bank partnered with the Sri Lanka Export Development Board (EDB) and the Industrial Development Board (IDB) to introduce a special knowledge sharing webinar for entry-level exporters. Conducted entirely in Sinhalese, the first webinar saw several leading experts offering guidance and tips on key topics,

including business planning and budgeting. The webinar also included a special session focused on giving participants a basic understanding of export markets and the latest e-commerce and digital marketing trends, coupled with an overview of Sampath Bank's expertise in facilitating export oriented businesses.



Webinar for exporters

“Wonder Women” Initiative - A Special Women Empowerment Programme

Sampath Bank PLC hosted “Wonder Women” Initiative, an open forum of discussion on the significance of celebrating women's achievements and addressing leadership roles and prejudice that exist in today's society for women leaders.

Pursuing the objectives of the International Women's Day 2022, with an aim to establish a society free of gender prejudice, the forum celebrated the accomplishments of women leaders in different industries, sharing their personal experiences on venturing towards success in their corporate journey.



Facilitators of the programme



Panel discussion at the programme

SOCIAL AND RELATIONSHIP CAPITAL

► GRI 203-1,2/413-1

“Education for All” - Projects to Support Equal Access to Quality Education and Career Development

“Corporate Leadership” Programme for School Leavers and Undergraduates

Sampath Bank's long-standing internship programme provides opportunities for youth, mainly school leavers and undergraduates to begin their career by gaining exposure to a world-class corporate environment. The programme is designed to build a more disciplined work culture and foster professional work ethics among new entrants to the workforce.

Career Fairs and Career Guidance Sessions

In view of improving quality education and providing opportunities among youth, Sampath Bank in 2022 conducted Career Fairs and Career Guidance Sessions at respective universities.



Internship programme for school leavers and undergraduates

No.	Programme	Programme Type	University	Number of Participants
1.	Opening Ceremony of Industry Liaison Office	Career Forum	University of Sri Jayewardenepura	20
2.	Session on Personal Branding	Career Guidance	University of Sri Jayewardenepura	25
3.	KDU Career Fair - 2022	Career Fair	General Sir John Kotelawala Defence University	150
4.	Career Fair	Career Fair	University of Ruhuna	500
5.	Talent Path 1.0	Career Guidance	University of Moratuwa, Rajarata University of Sri Lanka, General Sir John Kotelawala Defence University and University of Kelaniya	100
6.	Career Fair	Career Fair	Sabaragamuwa University of Sri Lanka	300
7.	Industry Forum - 2022	Career Forum	University of Sri Jayewardenepura	20
8.	“Touch the Peak” - Annual Job Fair 1st Episode	Career Fair	University of Sri Jayewardenepura	500
9.	Inaugural Ceremony - Online Job Portal System	Career Forum	University of Colombo	100
10.	Industry Forum - 2022	Career Forum	University of Sri Jayewardenepura	50
11.	Stakeholder Meeting for Graduates' Skills Mapping	Career Forum	Eastern University of Sri Lanka	50
12.	“Touch the Peak” - Annual Job Fair 2nd Episode	Career Fair	University of Sri Jayewardenepura	100
13.	“Clash of Minds 22” - Welcome to the Banking Industry	Career Forum	University of Sri Jayewardenepura	100

No.	Programme	Programme Type	University	Number of Participants
14.	"What next" - The Career Expo 2022	Career Fair	University of Colombo	1,000
15.	"Touch The Peak" - Annual Job Fair 3rd Episode	Career Fair	University of Sri Jayewardenepura	500
16.	"Touch The Peak" - Annual Job Fair 4th Episode	Career Fair	University of Sri Jayewardenepura	500
17.	Guidance for a Successful Interview	Career Guidance	University of Sri Jayewardenepura	40
18.	Mock Interview	Career Guidance	University of Ruhuna	100
19.	"Industry Day 2022" - A Career Fair for Science Graduates	Career Fair	University of Peradeniya	150
20.	Career Guidance Programme	Career Guidance	University of Peradeniya	100
21.	Session on Industry Best Practices	Other	University of Peradeniya	45
22.	HR Camp	Other	University of Peradeniya	40
23.	Industrial Visit	Other	University of Sri Jayewardenepura	30
24.	3rd Annual Conference on Business Economics (ACBE) 2022	Other	University of Sri Jayewardenepura	100
25.	"How to Crack the Interview Lock" - Career Guidance Programme	Career Guidance	NSBM Green University	150
26.	Awareness of HR Practices and Processes	Other	Saegis Campus	10
27.	Industry Day - 2022	Career Fair	University of Peradeniya	150
28.	Industry Mentoring Programme 2022	Career Event	University of Peradeniya	1,000
29.	Virtual Career Fair - 2022	Career Fair	Eastern University of Sri Lanka	200
30.	Career Fair	Career Fair	University of Ruhuna	1,000



Career guidance session for undergraduates



Guest lecture at career guidance session



Conducting a career fair

SOCIAL AND RELATIONSHIP CAPITAL

► GRI 203-1,2/413-1

"Hope for a Life" - Health Sector Facilitation Programme

The "Hope for a Life" programme is a part of the Bank's strategic CSR focus to strengthen the national health sector by improving the quality and access to healthcare services across a wider cross section of the populace.

The projects undertaken in 2022 were mainly aimed at providing life saving medicine and medical equipment to state hospitals facing a shortage of such items due to the lack of imports as a result of the foreign exchange liquidity crisis in the country. The following state hospitals were facilitated under this programme:

- Teaching Hospital, Batticaloa
- Teaching Hospital, Kurunegala
- District General Hospital, Mannar
- National Eye Hospital of Sri Lanka
- Provincial General Hospital, Badulla
- District General Hospital, Monaragala
- Base Hospital, Dehiattakandiya
- Lady Ridgeway Hospital for Children
- Teaching Hospital, Kuliyaipitiya

Other Community Projects

Endowment of Nallur Kandaswamy Temple Annual Festival

The annual historic festival of the Nallur Kandaswamy Temple is the longest religious festival as well as the largest gathering of people in Jaffna peninsula and more than 200,000 devotees take part in every year. Sampath Bank has sponsored this programme continuously for more than 9 years including the year 2022.



Endowment of essential drugs to Lady Ridgeway Hospital for Children



Endowment of essential drugs to District General Hospital, Mannar



Endowment of medical equipment to National Eye Hospital of Sri Lanka



Endowment of essential drugs to Teaching Hospital, Kurunegala



Endowment of medical equipment to Teaching Hospital, Batticaloa



Endowment of essential drugs to Provincial General Hospital, Badulla



Endowment of essential drugs to Base Hospital, Dehiattakandiya



Endowment of essential drugs to Teaching Hospital, Kuliyaipitiya

GRI 413-1

Operations with Local Community Engagement, Impact Assessments and Development Programmes

	Programme	Number of Beneficiaries	Number of Volunteered Employees Engaged
Community Capacity Building 	SDGs Served         		
	 "Wewata Jeewayak" - Restoration of Korakahagolla Wewa in Aluthgama, Dambulla	480	30
	 "Wewata Jeewayak" - Restoration of Delikandali Wewa in Dambana, Mahiyanganaya	470	30
	 "Wewata Jeewayak" - Restoration of Kudagama Wewa in Thalawa, Anuradhapura	2,460	30
	 "Wewata Jeewayak" - Restoration of Rathmale Maha Wewa in Rathmale, Maho	360	29
	 "Wewata Jeewayak" - 2nd Phase of Restoration of Nalawagama Wewa in Nalawa, Nochchiyagama	600	30
	"Hope For a Life" - Endowment of medical essentials to meet drug shortage of state hospitals due to the lack of imports as a result of the foreign exchange liquidity crisis in the country		
	 Lady Ridgeway Hospital for Children	370	12
	 District General Hospital, Mannar	100	17
	 Teaching Hospital, Kurunegala	775	17
	 Provincial General Hospital, Badulla	600	20
	 District General Hospital, Monaragala	200	17
	 Base Hospital, Dehiattakandiya	75	17
	 Teaching Hospital, Kuliapitiya	300	18
	 Teaching Hospital, Batticaloa	5,000	20
	 National Eye Hospital of Sri Lanka	20	17
	Other Community Projects	7,020	57
Entrepreneurship Development 	SDGs Served       		
	 "Future Business Leaders" - Entrepreneurship Development Programme for Youth		
	 Technical College of Galle	225	08
	 Wayamba University of Sri Lanka	182	14
	 "Biztep" - Youth Entrepreneurship Development Programme	360	70
	 "Lead the Way - Explore Export Markets" - Webinar for Exporters	3,300	50
	 "Wonder Women" Initiative - A Special Women Empowerment Programme	1,841	10
	 "Sampath Saviya" Business Startup Advisory Service	30	08
Education for All 	SDGs Served      		
	 "Corporate Leadership" Programme for School Leavers and Undergraduates	833	608
	 Industry Forums and Career Guidance Sessions for Undergraduates	7,130	120
	Other Educational Projects	1,000	17

Way Forward

Under the Agri-Entrepreneurs Development Programme of the Bank; Value Added Agriculture, Climate Smart Agriculture and Water Management Techniques have been identified as priority areas for future investment. In this regard, the Bank will aim to collaborate with like-minded organisations to engage in capacity building programmes for the benefit of a wider cross section of agri-based communities.

SOCIAL AND RELATIONSHIP CAPITAL



Supplier

Suppliers play an integral role in ensuring business continuity and protecting the Bank's ability to create stakeholder value. As such, Sampath Bank strives to build a strong, reliable supplier network to ensure day-to-day operations can be managed smoothly and sustainably.

Communication and Engagement

Continuous and ongoing communication with key suppliers has always been a priority for Sampath Bank. In the current financial year, the Bank's procurement teams resumed regular in-person engagements with suppliers. (In-person interactions were previously suspended due to COVID-19 restrictions). In-person meetings were held during the year

covering over 50% of the existing supplier base, to assess their adherence to the Bank's supplier code of conduct.

Digital Solutions

Taking a major step forward in streamlining the overall procurement process, the Bank began developing a new end-to-end 'Procurement to Payment' system to seamlessly integrate the Finance, Logistics, IT, Engineering and Marketing elements applicable to the procurement process. Supported by digitally-enabled cloud based architecture, the new 'Procurement to Payment' system with its enhanced functionality, greater transparency, reliability and reporting accuracy will enhance overall efficiency in the procurement to payment process. With

the initial system implementation in progress, the live system roll out is expected to be completed by end 2023.

Sustainability Integration

Working to strengthen supplier alignment with the Bank's sustainability framework, the procurement teams introduced a series of new guidelines in order to verify the suppliers' ability to provide the products and services as per the current environmental rules and regulations. In this regard, it was made mandatory for all new suppliers to furnish true copies of relevant environmental certificates/registrations issued by relevant authorities, as part of their application to be included in the Bank's supplier registry.



Supplier Testimonials



Aiken (Pvt) Ltd

Aiken (Pvt) Ltd, was incorporated in 1996 and is known as one of the pioneers in the field of Banking Automation and Consumer Electronics in Sri Lanka.

Sampath Bank has been one of our major customers for more than a decade and has contributed immensely to the success of our organisation. We started our journey by supplying Sampath Bank with their requirement for basic currency counting machines and Casio Calculators and as of today, we provide the Bank with the most sophisticated Cash Recycler Machines for the expansion of their ATM/CRM network.

The support of the Bank over the years has been instrumental in growing our business. Today Aiken (Pvt) Ltd has grown to become the leading specialist in Sri Lanka for Banking Automation with a product line covering a wide range of banking products and services including Cash Counting Machines, Cash Sorting Machines, Cash Deposit Machines, Cash Bundling Machines, Bulk Cash Deposit Machines, Cash Recycling Machines and POS Machines, etc. The Company currently provides direct employment to over 300 people.

I wish to extend our heartfelt tribute to Sampath Bank for standing by Aiken (Pvt) Ltd at all times. The close relationships we have built with the Sampath Bank team has always been a great strength to our organisation and with the Bank's support, I know Aiken (Pvt) Ltd will grow to even greater heights in the future.

Nalin Amarasinghe

Managing Director

Aiken (Pvt) Ltd

No. 267, Polhengoda Road,
Colombo 05, Sri Lanka.



Console Electronics (Pvt) Ltd

Console Electronics (Pvt) Ltd, better known as 'CONSOLE' was set up as a private limited company in 1981, and initially focused on low-end power electronics. Shortly afterwards, CONSOLE envisaged the need for an advanced product range in the field and ventured into Power Protection Equipment (UPS systems etc.). The first-ever UPS system commissioned by CONSOLE was at Sampath Bank's City Branch in 1987, which marks the start of a long and fruitful business relationship between the two entities. This partnership which now spans 35+ years has been a great strength in helping CONSOLE weather various challenges. In fact, Sampath Bank has been the sole banking partner for CONSOLE for the past 35 years.



Supplier Testimonials

In 1988, CONSOLE started operating a corporate current account with Sampath Bank - Colombo 10. With the growth of our business since then, CONSOLE has obtained many banking facilities and benefitted from Sampath Bank's premier customer relationship service.

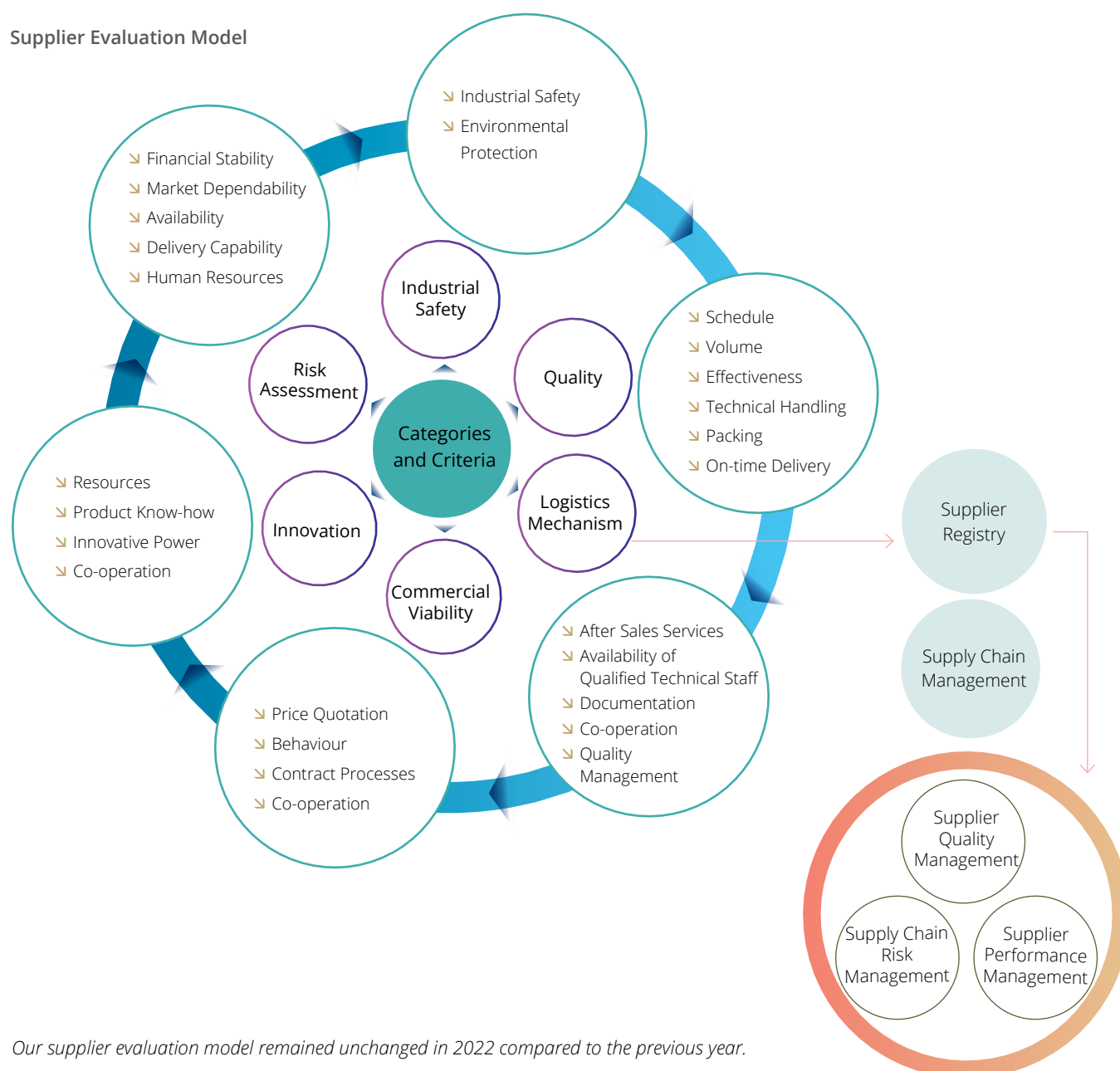
CONSOLE is delighted to continue offering our advanced technology Power Protection Solutions, together with our dependable and committed 24/7 maintenance support to Sampath Bank's branch and ATM networks around Sri Lanka.

We at CONSOLE take great pride in being able to support this network now and in the future.

S. M. Naveendran

Chief Operations Officer
Console Electronics (Pvt) Ltd
09, Dewale Road, Pagoda.

Supplier Evaluation Model



Our supplier evaluation model remained unchanged in 2022 compared to the previous year.



NATURAL CAPITAL

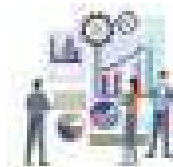
Value Creation Scorecard

Strategic Objectives

Competitive Positioning



Operational Excellence



Corporate Citizenship

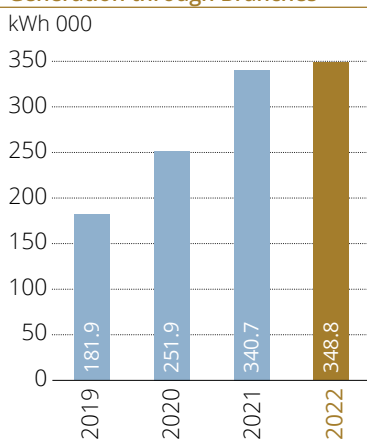


Natural Capital Overview

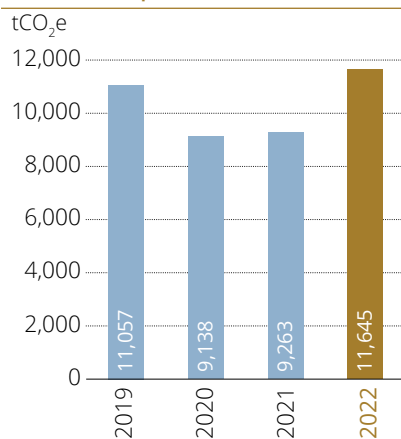
Term	Goals Set in 2021	Progress in 2022 - Key Initiatives	Way Forward
Medium Term	Systematically expand the scope of the Bank's lending model to focus on growing the Non-Conventional Renewable Energy (NCRE) portfolio and also promote investment in rooftop solar generation at residential level.	Total lending to the NCRE sector: Rs 5,576 Mn (2021: Rs 4,550 Mn).	➤ Strengthen environment and social management policy to complement the Credit Policy of the Bank. ➤ Continued to prioritise the financing of renewables. ➤ Align with the CBSL Directions on Sustainable Finance Activities of Licensed Banks.
Long Term	Pursue partnerships to create sustainable, industry leading solutions to issues such as climate change, waste, water, biodiversity and energy management.	Formed a partnership with the National Cleaner Production Centre of Sri Lanka (NCPC, Sri Lanka) to explore appropriate solutions to promote resource efficiency and cleaner production.	➤ Invest in climate action projects, with special focus on marine ecosystem and biodiversity.

Business Outcomes

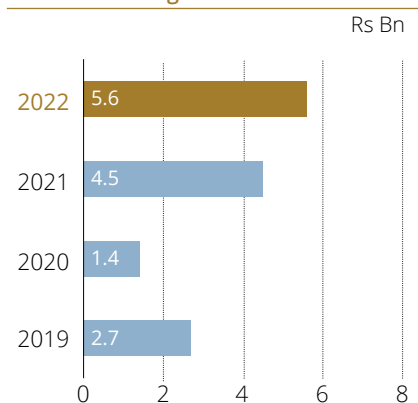
Energy Savings from Solar Power Generation through Branches



Carbon Footprint - Total GHG Emission



NCRE Financing - New Loans



GRI 302-3

Business Outcomes



Independently verified GHG Inventory
Report in accordance with ISO 14064-1:2018



In-house ESMS
Implementation Committee



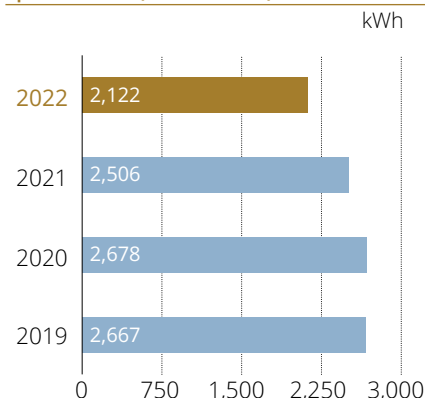
3,286

Participants for training and
capacity building programmes
on Environmental Due-diligence,
Protection and Conservation



15,367

Trees planted through
environmental CSR
programmes

Electricity Consumption per Employee
per Annum (Head Office)

Complementing Other Capitals



Financial Capital

Higher market share in the
green financing area will
help to drive revenue and
profit targets.



Manufactured Capital

Provides the opportunity to
introduce innovative solutions
to update/replace traditional
banking models.



Intellectual Capital

Enhances Sampath
Bank's reputation as a
bank that prioritises
sustainable operations.

Social and Relationship
Capital

Investing in environmental
projects helps to protect
the wellbeing of people
and communities over the
long term.

Contribution to Sustainable Development Goals



Target 2.1: Universal access to safe and nutritious food.
Target 6.6: Protect and restore water-related ecosystems.
Target 7.2: Increase global percentage of renewable energy.
Target 7.A: Promote access, technology and investments in clean energy.
Target 8.9: Promote beneficial and sustainable tourism.
Target 11.6: Reduce the environmental impacts of cities.
Target 12.2: Sustainable management and use of natural resources.
Target 12.5: Substantially reduce waste generation.
Target 12.6: Encourage companies to adopt sustainable practices and sustainability reporting.
Target 12.8: Promote universal understanding of sustainable lifestyles.

Target 13.3: Build knowledge and capacity to meet climate change.
Target 14.2: Protect and restore ecosystems.
Target 14.5: Conserve coastal and marine areas.
Target 15.1: Conserve and restore terrestrial and freshwater ecosystems.
Target 15.2: End deforestation and restore degraded forests.
Target 15.4: Ensure conservation of mountain ecosystems.
Target 15.5: Protect biodiversity and natural habitats.
Target 15.A: Increase financial resources to conserve and sustainably use ecosystem and biodiversity.
Target 17.6: Knowledge sharing and cooperation for access to science, technology and innovation.
Target 17.17: Encourage effective partnerships.

NATURAL CAPITAL

Since its inception, Sampath Bank has made a firm commitment to do its part towards protecting the environment. Although as a service organisation, the business of banking has a minimal impact on the environment, Sampath Bank has evolved beyond this conventional ideology to consider Environmental Protection and Conservation to be a material topic in its strategic sustainability framework. In this way, the Bank strives to manage the environmental and social risks associated with its own operations, while at the same time, supporting customers and other stakeholders also to work towards reducing their own environmental footprint over time.

Our Approach Towards Environmental Sustainability



Environmental and Social Management System (ESMS)

Sampath Bank has a robust ESMS to support efforts to conduct its business in an environmental-friendly and socially responsible manner. The ESMS is designed to effectively manage the environmental and social risks associated with the Bank's own operations while also focusing on sustainable lending to encourage customers to prioritise green ethics. The main objectives of the ESMS are:

- To enhance the Bank's understanding of environmental and social risks associated with its operations.
- To promote improved environmental and social risk management of client companies.

- Adherence to international best risk management practices when financing, in turn significantly reducing the Bank's environmental and social risks.

In seeking to achieve these objectives, the ESMS is framed by the following principles:

- Conditional credit granting based on whether the project/activity is in compliance with the applicable environmental and social standards set by country regulators such as the Central Environmental Authority (CEA) of Sri Lanka.
- High priority for financing on renewable and clean energy projects.
- Adoption of best practices on environmental and social due diligence.

- Significant investment towards environmental protection, reforestation and biodiversity conservation.

Ongoing improvements to the ESMS has over the years enabled the Bank to further streamline its activities to achieve the above objectives. In 2022, the Bank took a major step forward to benchmark the ESMS against the latest best practices, by appointing a professional consultancy firm to ascertain the efficacy of the existing ESMS and suggest improvements in line with the Green Financing Taxonomy of CBSL and IFC performance standards.

Resource Management and Best Practices

The Bank has always considered resource efficiency to be a key enabler that facilitates sustainable growth through the efficient use of resources. The efficient use of resources brings multiple benefits - it lowers the Bank's environmental footprint, generates cost savings that provide a distinct competitive edge while also helping to address the wider challenges arising as a result of climate change.

The Bank prioritises six actionable areas for resource efficiency:





Sampath Bank strives to demonstrate leadership in achieving energy efficiency through the early adoption of global best practices.

Energy Management

Energy consumed in the day-to-day operations for lighting and cooling purposes, is the largest contributor to Sampath Bank's Carbon Footprint. Therefore managing energy consumption remains a top priority in the Bank's resource efficiency programme. Key energy conservation initiatives undertaken by the Bank over the years include:

- Installation of inverter type A/Cs in branches instead of conventional type A/Cs.
- Installation of reflective glass panels for branch exteriors to minimise heat transfer and improve the day light integration to the building.
- LED lighting solutions by replacing conventional lighting for branches.
- Changing all internal paint from dark colour to white colour in branches and Head Office to save light energy.
- Removing all blinds to prevent blocking natural lights in branches to increase the reflection in order to reduce the lighting energy consumption.

Promote Green Building Concepts

Ongoing modifications to the Head Office building:

- Commissioning the 'Smart Technology Magnetic Bearing Chiller' to replace the package type air-conditioning unit.
- Controlling and monitoring of Mechanical Ventilation and Air Conditioning (MVAC) system through the Building Management System (BMS) to operate in efficient and effective manner (ongoing).
- Established a mechanism for monitoring, controlling and sequencing of equipment according to the demand, in order to minimise the electricity consumption.
- Installation of a double-glazed facade with infrared colour absorption in building fittings to limit the transmission of heat. Thus, conserving electricity and power.
- Demolition of walls in the existing floors and provide natural light for the office area through the glass facade to minimise electricity consumption (ongoing).
- Installation of motion sensors in lavatory wash basins to minimise the use of water and energy.
- Installation of environmental-friendly Surface Mount Diode (SMD) for illumination.
- Installation of Capacitor Banks for the power factor correction at the Head Office.
- Installation of EMS (Energy Monitoring System) to monitor energy and water consumption of each floor (ongoing).
- Connecting office area lighting systems to BMS system and preparing a schedule through the BMS to operate automatically (ongoing).
- Demand control ventilation system has been established to control fresh air requirement according to the CO₂ level of the entire building.
- Operating the central air conditioning system at the maximum efficient point in the day time and during the part load condition, demand will be provided through the separate system (VRF, inverter type split A/Cs) for the required locations.



'Smart Technology Magnetic Bearing Chiller' placed at the Bank's Head Office



Before refurbishing the Bank's Head Office



Newly refurbished Bank's Head Office in line with green building concept

NATURAL CAPITAL

Solar Migration Project

The Bank invested Rs 27 Mn in rooftop solar decks at Attidiya, Wattala, Matara Super, Gampaha Super and Galle Super, Bank owned buildings (branches) during the year and altogether 13 branches are equipped with rooftop solar decks. The Bank contributes to generate 348,775 kWh of clean energy during the year to meet energy requirement.

Solar Power Generation at Branches 2022

Branch	System Capacity (kW)	Saving (kWh)
Colombo Super	35.0	38,383.64
Kalutara	32.0	40,755.48
Negombo Super	42.2	58,799.27
Narahenpita	28.0	41,619.05
Wellawatte Super	30.5	41,252.73
Piliyandala	39.4	50,634.50
Tissamaharama	20.0	27,142.91
Anuradhapura Super	36.5	42,843.27
Attidiya	33.8	7,344.00
Wattala	46.0	CEB commissioning is in progress
Matara Super	32.0	
Gampaha Super	22.5	
Galle Super	39.5	

Total Capacity of
437.55 kW

Solar Power to the National Energy Requirement including Newly Added Projects in 2022

► GRI 302-1,2,4



Progress review meeting of the working committee on energy management and waste management

Energy Consumption for the Year 2022

	Energy Consumption				
	Sources: Renewable and Non-Renewable				
	Electricity	Heating	Cooling	Steam	Solar Power
Consumption (Head Office)	3,006,799 kWh	No	No	No	No
Sold	No	No	No	No	No
Reductions/ Savings	-	-	-	-	348,775 kWh
Using any standards/methodology and assumptions used	: No				
Using any conversion rates	: No				
Energy used outside of the organisation	: No				

Best Practices

To demonstrate its willingness to benchmark global best practices for environmental management, a specialist Energy Manager was appointed in 2022 to review the existing practices and implement effective energy management strategies within the Head Office and all 229 branches.

Architecture Designs Used to Reduce the Impact of Natural Disasters on Building

1 All architectural and structural designs comply with the guidelines provided by the National Building Research Organisation (NBRO).

2 All architectural and structural constructions comply with the British Standards: Code of Practice on NNW Accessible Buildings (wind calculations, geo technical investigations, seismic zone C).

3 Appointment of a Project Consultant Group, with qualified engineers and architects to ensure guidelines and building codes of practices in the construction industry are met.

4 Lightning Protection System for the Head Office and Branch network.

5 Surge Protection Systems to protect equipment of the building.

6 Fire Protection and Detection Systems.



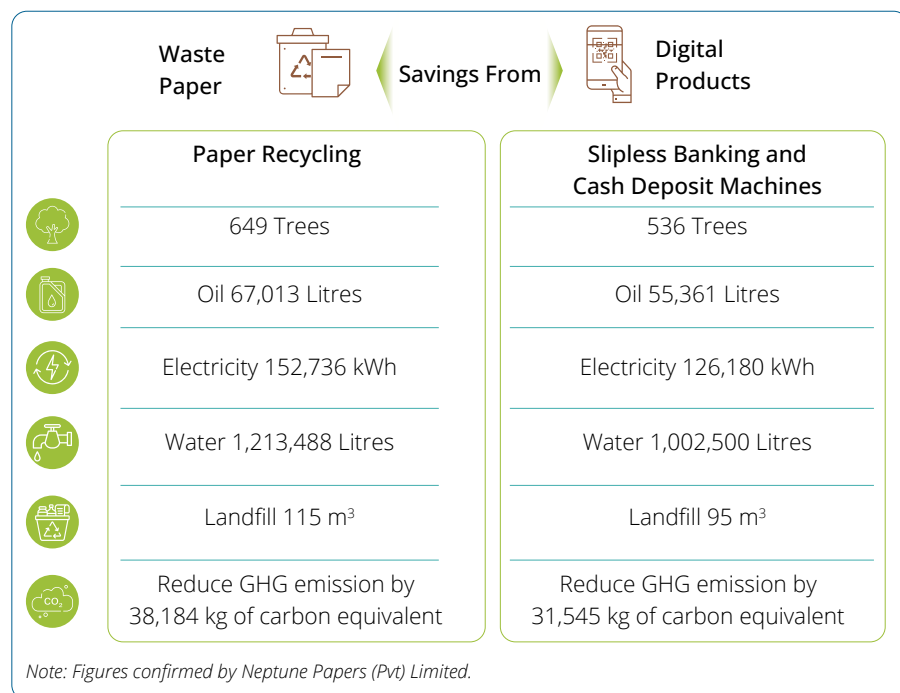
Social media campaign on energy saving

Waste Management

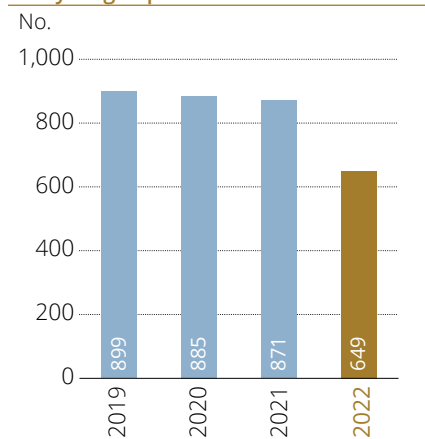
Waste, in particular paper waste generated during the daily business operations have increased significantly in tandem with the growth in the Bank's operations. Waste management efforts have therefore become a key imperative in recent years, which has led the Bank to accelerate its recycling programme and also expand its portfolio of digital solutions to reduce the volume of paper consumed on a daily basis. Some of the most notable innovative digital solutions introduced by the Bank such as the Slipless Banking App, WePay and the latest groundbreaking Touchless Cash Withdrawals from ATMs have resulted in a consistent reduction in paper usage at branches. Moreover, the Bank has also made a concerted effort to systematically digitise and automate a significant portion of its backend processes (Refer pages 20 to 23 and 92 to 93 for Digital Products and Process Automation Initiatives). These too have been responsible for a significant reduction in average annual paper usage and thereby contributing towards minimising Sampath Bank's Carbon Footprint.



Slipless Banking App, WePay and Touchless Cash Withdrawals from ATMs have resulted in a consistent reduction in paper usage.



Trees Saved through Recycling Paper Waste



Water Management

Water usage at Sampath Bank is primarily for utility and sanitation purposes of the staff and is extracted from municipal water lines. Since such used water is free of any harmful substances or contaminants, all water is thus released back to the municipal sewage lines.

In 2022, the Bank commissioned the National Cleaner Production Centre of Sri Lanka (NCPC, Sri Lanka) to conduct an Eco Office Audit and Waste Audit at the Head Office to identify waste sources and to measure volume of waste generated under each key category. The data collected from the Waste Audit will be used as the basis for determining the effectiveness of the waste management strategies currently in place, and to identify the need for new approaches.



Conducting a stakeholder meeting on Eco Office Audit and Waste Audit

Water Discharged (Head Office)

	2022	2021
Water discharged	33,040 m ³	27,545 m ³
Water source: National Water Supply and Drainage Board		

NATURAL CAPITAL

GHG Management

Since first embarking on its carbon footprint management strategy in 2013, Sampath Bank has continued to report on its Greenhouse Gas (GHG) emissions through the annual GHG Inventory report covering the Head Office and all 229 Branches. Over the years, the findings of the report have proven to be invaluable in reorienting certain operational aspects in order to improve the Bank's GHG performance over time.

GHG Calculation

► GRI 305-1,2,3,4,5,7

The GHG calculation for 2022 was conducted by RR Associates (Pvt) Limited in accordance with ISO 14064-1:2018.



Carbon Footprint Calculation

Assessment Type	: Organisational Greenhouse Gas Assessment
Applied Standards	: ISO 14064 - 1:2018 Fifth assessment report (AR5) of IPCC, 2019 refinement
The Greenhouse Gas Protocol	: A Corporate Accounting and Reporting Standard (revised edition), WRI/WBCSD
Reporting Period	: 01.01.2022 - 31.12.2022
Base Year	: 2022

Scope	GHG Emissions (tCO ₂ e) in 2022			
	Total Emissions	CO ₂	N ₂ O	CH ₄
Direct GHG Emissions (Scope 1)	1,321	1,317	3	1
Indirect GHG Emissions (Scope 2)	7,924	7,924	-	-
Other Indirect GHG Emissions (Scope 3)	2,400	2,383	13	4
Total GHG Emissions	11,645	11,624	16	5
GHG Emission per Employee	2.9			

	2022	2021	Change
Total GHG Emissions (tCO ₂ e)	11,645	9,263	2,382

Note: Figures confirmed by RR Associates (Pvt) Limited.

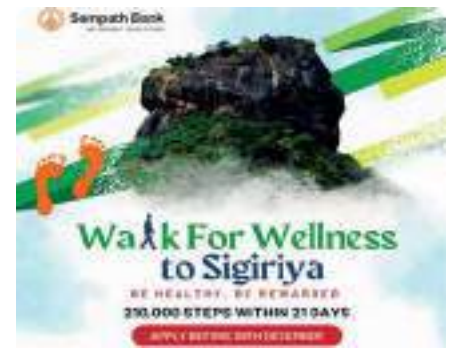
GHG Verification

For the first time since beginning the GHG calculation process, the Bank sought the services of B-Advancy Lanka Certification (Pvt) Limited to obtain independent assurance to reaffirm that the 2022 GHG Inventory Report is in alignment with ISO 14064-1:2018. This marks the first step in the Bank's journey towards achieving the net zero certification.



Certificate of GHG verification

With the motive of reducing Scope 3 emission arising from staff commuting, the Bank initiated two major campaigns in 2022 – “Walk For Wellness to Sigiriya”, a virtual walk competition and the “Cycle to Work” initiative.



Internal communication on “Virtual Walk Competition”
- Employees to reduce their own carbon footprint



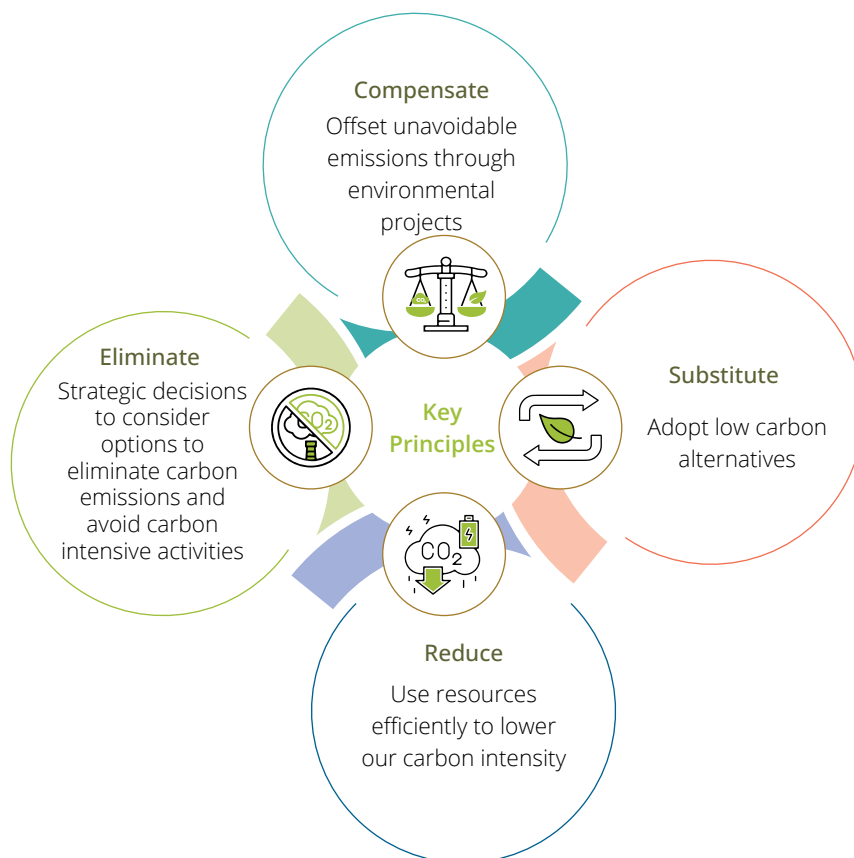
“Cycle to Work” initiative

Sampath Bank's Approach to Net Zero

As a starting point to understand how best to proceed with implementing these principles, the Bank engaged with the National Cleaner Production Centre of Sri Lanka (NCPC, Sri Lanka) to explore appropriate solutions to promote resource efficiency and cleaner production.



Webinar on "Tips for Effective Management of Waste, Water and Energy"



Awareness and Training

Raising awareness among Team Sampath to help them understand how they can contribute towards combating climate change through their day-to-day actions, is an important part of the Bank's overall approach to environmental protection and conservation. All employees are encouraged to adopt Sampath Bank Environment Pledge, while regular training on specific topics to help disseminate information and solutions that will ultimately pave the way for a broader cultural shift in favour of the environment.



Environment Pledge of Sampath Bank

NATURAL CAPITAL

Accordingly, the following trainings and capacity building programmes were held during the year 2022:

Webinar on “Environmental and Social Due Diligence in Credit Evaluation” conducted by Mr Chamath Abeysinghe, Senior Environment Officer, Asian Development Bank for Heads of Credit Departments, Zonal Managers, Regional Managers, Branch Managers and Credit Officers.

Webinar on “Tips to Save Electricity” conducted by Mr Sanath Kithsiri, Director (Industrial and Services Sectors), Sri Lanka Sustainable Energy Authority for all team members.

Webinar on “Tips for Effective Management of Waste, Water and Energy” conducted by Mr Samantha Kumarasena, Chief Executive Officer, National Cleaner Production Centre for all team members.

Webinar on “Climate Change and Carbon Footprint Management” conducted by Mr Rasitha Niroshan, Director/Chief Sustainability Officer, Halcyon (Pvt) Limited and RR Associates (Pvt) Limited for all team members.

Webinar on “Sustainable Home Gardening” conducted by Dr Menaka Fernando, Senior Lecturer, Department of Crop Science, Faculty of Agriculture, University of Ruhuna for all team members.



Webinar on “Environmental and Social Due Diligence in Credit Evaluation”



Webinar on “Climate Change and Carbon Footprint Management”



Webinar on “Tips to Save Electricity”

In addition, the Bank also commenced “Sampath Sashreeka”, a competition aimed at inspiring the passion for gardening. The competition which was open to all team members was designed to encourage participants to grow their daily consumption requirements, thereby creating a self-sustaining solution.



Internal communication on “Sampath Sashreeka” competition - Employees to engage in home gardening



Webinar on “Sustainable Home Gardening”

Strategic Partnerships

Strategic partnerships play an important role in implementing the Bank's sustainable initiatives, be it in furthering operational targets or contributing towards the achievement of broader national environmental goals.

In seeking to achieve operational targets, the Bank has partnered with Neptune Papers (Pvt) Limited as the primary recycling partner for paper waste, while e-waste is disposed of through on going partnerships with Infinity Green International (Pvt) Limited and Ceylon Waste Management (Pvt) Limited. As indicated above, the Bank's GHG measurement process is supported by partnerships with RR Associates (Pvt) Limited and B-Advancy Lanka Certification (Pvt) Limited.

Meanwhile, striving to contribute towards broader national environmental goals, the Bank has from time to time pursued strategic partnerships with national environmental bodies, such as Biodiversity Sri Lanka, National Cleaner Production Centre of Sri Lanka and the Wildlife and Nature Protection Society of Sri Lanka.

Responsible Lending

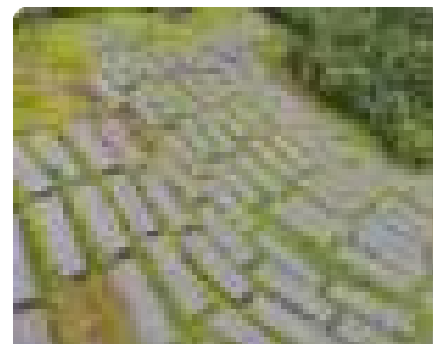
Responsible lending to support the development of renewable energy sector in Sri Lanka has long been a key platform that has allowed Sampath Bank to showcase its commitment to combat climate change. Today, with a broad portfolio of projects, spanning hydro, solar, wind and biomass, Sampath Bank is widely regarded as a leading financier of the country's Non-Conventional Renewable Energy (NCRE) sector.

Financing of Renewable Energy Projects in 2022

	Number of Projects	Capacity (MW)	Investment (Rs Mn)
Solar Power	3	13.11	626
Wind Power	1	15.00	4,950
Total	4	28.11	5,576



Ground mounted solar power project at Maho.
Project capacity: 3 MW



Ground mounted solar power project at Pallekele, Kandy.
Project capacity: 2 MW

Green Finance Taxonomy and Its Readiness

Keen to comply with the newly released CBSL Directions on Sustainable Financing Activities for Licensed Banks, the Bank took a deep dive to analyse existing systems and processes and their readiness to align with the Directions.

Green Products, Services and Paperless Operations

In recent years, the Bank has undertaken to move as many of its products and services as possible to digital platforms while working in parallel to automate internal work streams. The main goal here is to bring about a significant reduction in paper usage in the day-to-day operations, thereby lowering energy consumption and its related emissions. Some of the notable achievements in this area include:

Digital Products

- Slipless Banking App
- Online customer onboarding tool
- e-receipts for Fixed Deposits
- Digital Web Card issuance
- Cheque Deposit Machines
- Tourist Fuel Pass

Process Automation Initiatives

- Digitalising the Credit Card and LC application processes
- "Vidvan" e-learning management platform covering both banking and non-banking areas
- Internal communication via e-mediums (e-circulars, e-forms, e-board papers)
- e-communication channels in marketing communication
- Sampath Green HR Initiative to digitalise internal HR processes
- Sampath Document Approval System (SDAS)
- Customer Risk Automation
- Green PIN implementation with new iCard system
- New Call Recording System
- FD advice creation and discontinuation of FD receipts
- Relaxation in passbook issuance

NATURAL CAPITAL

Green Lending Schemes

In line with its commitment to promote renewables, the Bank continues to extend its support to the Sri Lankan Government-led “Sooryabala Sangramaya” initiative to promote investment in solar energy at a residential level. In addition, the Bank also offers special refinance facilities through the ADB funded green credit line to encourage industries to invest in renewables.



Marketing communication campaign on solar energy loan scheme

Environmental Special Projects

► GRI 413-1

We remain committed to combating climate change by promoting projects and activities that contribute to a greener, more sustainable economy in Sri Lanka.

“A Breath to the Ocean” - Oceanic Eco-system Restoration Programme

	Description	“A Breath to the Ocean” signals the first phase of a Oceanic Biodiversity Restoration programme undertaken by Sampath Bank aimed at protecting marine resources in the waters off the coast of Mirissa. The programme in effect involves underwater coral farming whereby trained scuba divers would engage in transplanting new coral clusters in the reef polygons placed on sea bed. The next phase of the project would see marine biologists supervising the reintroduction of native species of fish to help restore biodiversity to its natural state. Regenerating the coral reef and restoring the coral colonies in this manner will allow its natural inhabitants to survive and thrive. In the spirit of partnership, the Bank has also invited other environmentally conscious entities to participate in this programme.			
	Primary Objective	➤ Restore coral and oceanic-eco systems in Bandaramulla, Mirissa ➤ Restore coral reefs by the coral transplantation method ➤ Improve oceanic biodiversity and reduce impact on climate ➤ Support eco-tourism and thereby contribute to the Sri Lankan economic development		Achievements	➤ Conducted awareness workshops for the community in the locality, hoteliers and the Bank staff ➤ Conducted a beach clean-up project ➤ Establishment of reef polygons (New concept) ➤ Transplanting live corals
	Future Plans	➤ Commencement of 2nd phase of the project at Bandaramulla, Mirissa ➤ New locations are identified to grow a nursery in Southern coast ➤ Launch Turtle conservation project at Rakawa ➤ Launch coral clean-up project		Partnerships	➤ Department of Oceanography and Marine Geology, Faculty of Fisheries and Marine Sciences & Technology, University of Ruhuna ➤ Sri Lanka Navy – Southern Naval Command ➤ Sri Lanka Coast Guard ➤ Department of Wildlife Conservation ➤ Marine Environment Protection Authority (MEPA) ➤ Department of Coast Conservation and Coastal Resource Management ➤ Fishermen and Hoteliers of Bandaramulla, Mirissa
SDGs Served	    				



Awareness workshop for the community



The launching event



Coral transplantation in a reef polygon

Life to Our Mangroves Project



Description

Mangroves play a pivotal role in fighting climate change as unique and productive carbon sinks, and by acting as a protective barrier for human settlements, against heightened natural disasters resulting from increased global temperatures. Sampath Bank has undertaken to restore a section of degraded forest patches in the Anawilunda Ramsar Wetland Sanctuary located on the coastal belt between cities of Chilaw and Puttalam in Sri Lanka's North Western Province. The project which commenced in 2022 will see the Bank working to restore an area of approximately one hectare over the next five years.



Primary Objective

- To enhance resilience and ecosystem services by the identified mangroves
- To demonstrate the value of mangrove restoration as a Nature-based Solution (NbS) to address the impact of climate change and socio-economic development challenges, building resilience and community readiness
- To showcase the value of partnership building in contributing towards the reduction of Sri Lanka's climate change vulnerability



Achievements

- Preparation of the nursery
- Constructing main and sub canals in the project site



Future Plans

- Initiate similar projects to restore mangrove forests

SDGs Served



Partnerships

- Biodiversity Sri Lanka
- Department of Wildlife Conservation (DWC)
- International Union for Conservation of Nature (IUCN)



Exchanging the agreement with Biodiversity Sri Lanka



Newly developed canal system in the project site



Preparation of nursery with the participation of the community

NATURAL CAPITAL

Biodiversity Conservation Project - Restoration of Halgahawala Forest Reserve



Description

Restoration of Halgahawala Forest Reserve, a 5-year project commenced in 2018 and continues to be a long-term undertaking operationalised by way of a MOU between Sampath Bank and Biodiversity Sri Lanka. The International Union for Conservation of Nature and the Forest Department of Sri Lanka continues to provide technical support towards the project.



Primary Objective

- Support to restore 10 hectares of degraded forest land in the Halgahawala forest reserve in Opatha in Galle District



Achievements

- Planting 30,000 endemic plants and restore the forest reserve



Future Plans

- Developing a biodiversity credit accrual system on par with international standards which would enable biodiversity conservation project owners to generate accruable biodiversity carbon credits

- Initiate similar projects in other parts of the country

SDGs Served



Partnerships

- Biodiversity Sri Lanka
- International Union for Conservation of Nature (IUCN)
- Forest Department of Sri Lanka



Partners field visit



Plant nursery



Community participation in restoration

"Gasai Mamai Pubudu Pothai" Tree Planting Programme



Description

A programme to provide school children with fruit bearing tree saplings to be planted at their school premises and entrust them with the responsibility of taking care of the trees over the long-term. When selecting schools for the programme, priority was given to the schools which are located in the areas where Sampath Bank's "Wewata Jeewayak" Tank Restoration Programme was conducted. The programme reiterates Sampath Bank's belief that entrusting students with the responsibility of planting trees not only strengthens their bond with the environment, but also paves the way for them to commit to long-term goals.



Primary Objective

- Improve the environmental consciousness in children
- Promote cultivation among the younger generation
- Inculcate their saving habits among the younger generation
- To generate an additional income source to respective schools



Achievements

- 115 schools were benefitted
- 7,517 fruit plants were planted



Future Plans

- Expand this programme to other areas of the country
- Recognise the best performing Projects

SDGs Served



Partnerships

- The Ministry of Education
- Respective Zonal/Regional Education Offices and schools
- The Department of Agriculture



Project at Jaffna



Project at Aralaganvila



Project at Thalawakele



Project at Dehiattakandiya



Project at Bibile



Project at Dambana

**115**

Schools Benefitted

**172**

Employee Engagement

**7,517**Number of Fruit
Saplings Planted

Success Story

The Siri Samanpura Primary School, in the Eheliyagoda Educational Division (Ratnapura District) was one of the schools on-boarded to the “Sampath Pasala” CSR programme inaugurated by the Bank’s Corporate Credit Department in 2015. As part of the CSR project, the Bank planted 75 Rambutan saplings in the school premises, with students being given the responsibility to care and nurture their plants to ensure they bear fruit. Of the 75 saplings planted in 2015, 73 have grown into fruit bearing Rambutan trees, thus making a positive contribution to the environment and ecosystems in the area. Further, the income generated from the sale of the Rambutan harvest is used for school development activities. The success of this initiative is what inspired the Bank to launch flagship “Gasai Mamai Pubudu Pothai” programme which is now in the process of being extended as a National level CSR programme by Sampath Bank.



Fruit bearing trees at the Siri Samanpura Primary School

NATURAL CAPITAL

"Gasai Mamai Pubudu Pothai" Vegetable Gardening Programme



Description

This programme was initiated under the 2nd phase of the "Gasai Mamai Pubudu Pothai" Tree Planting Programme as a long term measure to promote vegetable gardening concept among school children. Through this initiative the Bank aims to inspire students to understand the value of consuming fresh produce and take pride in their contribution towards food security.



Primary Objective

- Promote cultivation among the younger generation
- Create a source of additional income for the respective schools
- Improve the environmental consciousness among school children



Achievements

- 100 schools were benefitted
- 25,000 school children were benefitted



Future Plans

- Expand this programme to other areas of the country

SDGs Served



Partnerships

- Zonal/Regional education offices and schools in Colombo and suburbs
- The Department of Agriculture



Inaugural event at Zonal Education Office, Piliyandala



Ananda Samarakoon Vidyalyaya, Piliyandala



Daranagama National School, Kelaniya

"10,000 Trees Campaign" in collaboration with the Rotary Club of Colombo



Description

Sampath Bank inaugurated the '10,000 Trees Campaign' in collaboration with the Rotary Club of Colombo at the We Oya Estate in Yatiyantota, which is part of Kelani Valley Plantations PLC. The programme marks the first step in Sampath Bank's long term plan to plant a total of 7,500 trees in a bid to reduce atmospheric carbon dioxide (CO₂) and thereby protect the environment and mitigate the effects of climate change.



Primary Objective

- To enhance biodiversity in approaching environmental sustainability
- To provide ecological solutions to address climate adaption



Achievements

- 7,500 trees were planted at Thalawakele Plantation by the Bank



Future Plans

- To obtain Carbon Certification which can be used to offset the Bank's Carbon Footprint



Partnerships

- Rotary Club of Colombo
- Hayleys PLC

SDGs Served





Handing over sponsorship cheque to the Rotary Club of Colombo



Tree planting at the inaugural event held at Kelani Valley Plantations



Participants from Sampath Bank, Rotary Club of Colombo and Kelani Valley Plantations

"Plant a Seed for Tomorrow" - Vegetable seeds distribution programme in collaboration with the Rotary Club of Colombo



Description

A vegetable seeds distribution programme was conducted with the collaboration of the Rotary Club of Colombo where 1,000 seed packets containing different kinds of vegetable seeds were distributed among the Bank's customers to promote home gardening concept in Sri Lanka.



Primary Objective

- To encourage home gardening among people
- Provides the opportunity to make a positive environmental impact among people



Achievements

- 1,000 customers and their families were benefitted



Partnerships

- Rotary Club of Colombo

SDGs Served



Inaugural event at the Colombo Super Branch



Handing over seed packets to customers at Kiribathgoda Super Branch



Branch branding of the campaign

Consumer Banking



Sampath Bank offers a full gamut of mainstream consumer banking solutions from current and savings accounts, and term deposits to loans, leases and pawning facilities as well as credit and debit cards and bancassurance services to cater to the banking needs of individuals and small businesses across Sri Lanka.

Corporate Banking



Sampath Bank delivers a range of bespoke corporate banking solutions such as project financing, special credit facilities, foreign currency facilities and advisory services to address the diverse needs of Sri Lanka's corporate sector.

SME Banking



Sampath Bank presents tailor-made solutions to promote the advancement of the local SME sector, which in recent years has been declared the backbone of the national economy.

Global Banking



Sampath Bank plays a vital role in facilitating the foreign currency requirements of both corporates and individuals. Working closely with its partner network of global correspondent banks, Sampath Bank serves as a key facilitator to enable its corporate clientele to engage in International Trade. Also, Sampath Bank's Bank Notes Operation contributes towards managing the demand for currency from the market, and the Remittance Operation is geared to increase the inflow of foreign currency to the country.

Treasury



Sampath Bank's Treasury is responsible for safeguarding the Bank's liquidity and managing the Net Open Position of the Bank and also offers a gamut of products and services in foreign exchange, money and fixed income markets to clients.

Operational Support



Operational Support provided by the Sampath Bank's Network Services Centre, the Central Cash Department and the Recoveries Department serve a vital purpose - they create an ecosystem to ensure the Bank's ability to maintain uninterrupted services to customers and also safeguard the continuity of business over time.



MANAGEMENT DISCUSSION AND ANALYSIS

Business
Reports

CONSUMER BANKING

Deposits

Deposit mobilisation activities in 2022 were largely influenced by the upward movement in policy interest rates from April onwards. Taking a cue from the market, the Bank introduced competitive rates across all term deposit formats, along with a series of flexible tenor options (100, 200, 300 day deposits) to enable customers to reap the benefits of the high interest rates.

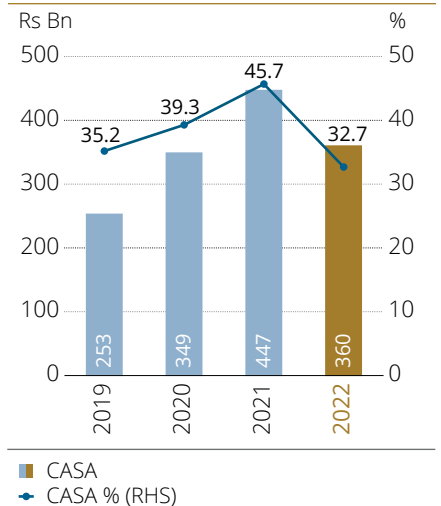
In parallel, an aggressive savings drive was launched to boost volumes across all savings categories. Some of the notable campaigns were the Ladies 1st campaign launched in March 2022 offering additional reward tiers to recognise incremental growth in the savings balance and the free LED emergency bulb campaign for the general savings initiated in September 2022. The Sampath Pubudu Childrens' savings reward mechanism was also further enhanced with the addition of gift vouchers worth up to Rs 50,000 to encourage progressive improvement in the savings balance. Sampath Bank's long

standing Sanhinda Senior Citizen free medical benefit scheme continued year round with benefits totaling Rs 211 Mn distributed during the course of 2022.

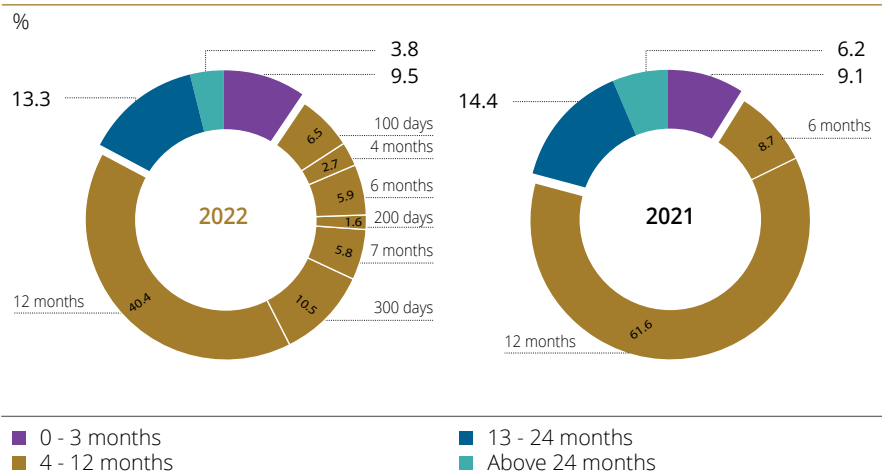
In line with its strategic endeavour to increase foreign currency inflows, the Bank's FC Prime Accounts were also heavily promoted with the industry-best bonus interest and other value additions offered to encourage customers to grow their USD balances.

Sampath Bank's Cash Management Solutions (CMS) for Corporates also made solid progress in 2022. Leveraging the versatile features, ultra convenient

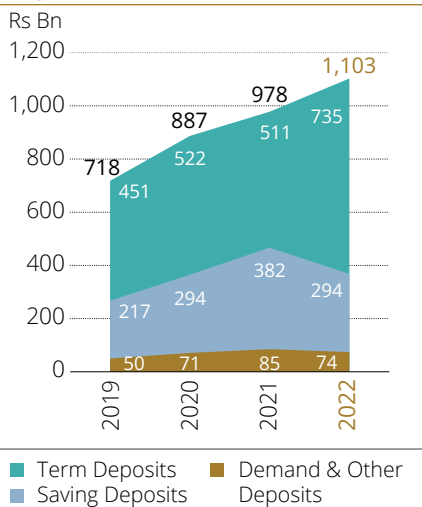
CASA



Tenor-wise Fixed Deposits Mix



Deposit Portfolio



implementation and cost effective characteristics of the CMS model, the Bank succeeded in penetrating a range of sectors, including education, healthcare, insurance, shipping and FMCG to serve both SMEs and corporates attached to these sectors.

Way Forward

Going forward, the Bank will look to consolidate its deposit portfolio as economic conditions gradually improve and pave the way interest rates also to stabilise in due course.



Sampath Bank initiated cohesive action to support distressed customers by helping them to repair their cash flows and safeguard the continuity of their business, enabling them to meet their debt service obligations.

Loans and Advances

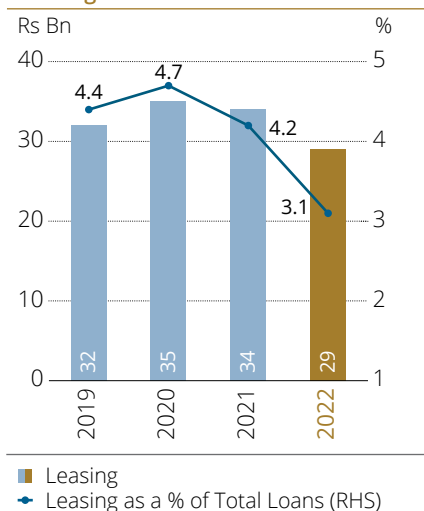
The tenuous economic climate in the country weighed heavily on the performance and prospects of the lending business in 2022. Precipitated by the current economic slump and rising cost of funds, general credit appetite remained sluggish throughout the year. To add to this, heightened stress triggered by weak economic activity and hyper-inflationary conditions raised serious doubts about borrower repayment capacity.

Considering these tough operating conditions, Sampath Bank initiated cohesive action to support distressed customers by helping them to repair their

cash flows and safeguard the continuity of their business in order to enable them to meet their debt service obligations. Eligible customers were granted the latest extension of the CBSL mandated debt moratorium to allow them to differ their repayment obligations up until end-2022. The Bank continued with its own relief measures to support affected borrowers, with the newly formed specialist Credit Nursing Unit (CNU) taking the lead in all customer rehabilitation efforts. In this capacity, the CNU was also actively involved in providing credit counselling and business advisory services to create opportunities for businesses to reach out to potential investors, obtain seed capital, equity etc., if needed.

In the meantime, a prudent approach underscored new lending activities and saw the Bank selectively engaging in collateral-based lending to existing clients and that too only to those exhibiting strong resilience against the current challenges. Additional precautionary measures were implemented to manage

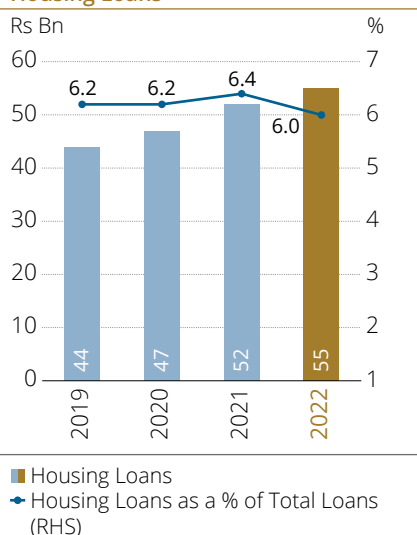
Leasing



the Bank's overall exposure to the leasing and housing loan portfolios. More stringent internal controls and screening protocols were put in place to govern all new leasing facilities, including additional conditions calling for customers to commit to a higher contribution. With regard to the housing loan portfolio, the priority was to mitigate the Bank's concentration risk to the housing and condominium sectors.

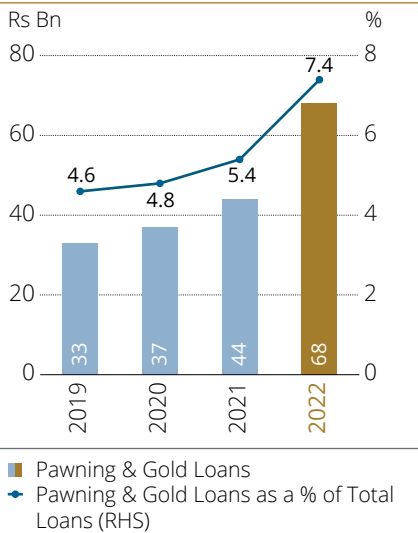
In keeping with the focus on collateral-based lending, the Bank intensified its campaign to promote pawning and gold loans. Taking a cue from the market, the advance quanta across all pawning products were progressively increased to reflect the rising world gold prices.

Housing Loans



CONSUMER BANKING

Pawning & Gold Loans



Way Forward

The prospects for the year ahead will depend on a number of key developments expected to materialise over the next few months, among them the IMF staff level agreement and the government revenue consolidation measures that would signal greater economic stability. Stemming from this, it is predicted that market lending rates too will gradually become more competitive, thus paving the way for robust credit appetite from the private sector. Leveraging this conducive environment, Sampath Bank will look to simultaneously grow the loan book and improve credit quality by mobilising credit flows towards particularly fast growing sectors such as manufacturing and exports.

Cards

A strong start to the year where the demand for cards grew exponentially in the first quarter of 2022, was followed by progressive decline in the credit appetite from the second quarter onwards as deteriorating socioeconomic conditions, mounting inflationary pressure and rising interest rates began eroding disposable incomes. Amidst this backdrop, the Bank adopted a conservative approach to curtail credit card issuance in order to minimise the vulnerability of the card portfolio to economic shocks.

Working instead to support customers in these difficult times, the Bank took action on multiple levels. The CBSL Circular No. 2 of 2022 announcing the suspension of all recovery action was promptly implemented. The Bank further extended its own relief measures by offering customers structured solutions, including special concessionary rates and staggered payment plans.

Meanwhile, seeing customers struggling to cope with the rapid rise in inflation, special promotional offers on essential items remained in place throughout the year. A new partnership with Keells Supermarkets saw the introduction of real time rewards points redemption at Keells Supermarkets for the first time in Sri Lanka. This allows Sampath Credit Cardholders to redeem their accumulated UltraRewards and Ultramiles rewards points against day-to-day expenses.

Moreover, with credit cards becoming the most sought after solution for overseas payments, the Bank stepped in to accommodate customer requests on a case by case basis to facilitate their foreign currency payments for education, medical and other necessities.



Credit cards becoming the most sought after solution for overseas payments, the Bank stepped in to accommodate customer requests on a case by case basis to facilitate their foreign currency payments for education, medical and other necessities.

In a key development to enhance the capability of its merchant network, Sampath Bank leveraged its longstanding partnership with Paycorp International (Private) Limited to become the first local bank to enable local businesses to automatically generate dynamic merchant LankaQR codes through the Sampath Bank Payment Gateway without any technical integration required by the merchant. This innovation, which was launched in January 2022, allows businesses to benefit from near real-time payment and settlement capability from all LankaQR enabled apps and digital wallets at much lower transaction costs than traditional credit card payment methods. Further strengthening its commercial ties with Paycorp International (Private) Limited, the Bank achieved another first in April 2022 by becoming the first Sri Lankan bank to facilitate e-commerce transactions

via UnionPay International™ (UPI) backed by its latest 3DS 2.0 fraud protection software. This new payment technology enables secure payment processing, payment gateway, and payment aggregator services with direct connectivity to UPI, thus becoming the backbone of the Bank's transactional infrastructure, while protecting businesses and consumers from fraud. These initiatives also reflect Sampath Bank's continued efforts to accelerate the pace of acceptance, adoption, and integration of innovative digital payment solutions in line with the government and the Central Bank of Sri Lanka's efforts to implement new technologies to streamline the payments and settlements infrastructure.



Way Forward

The prudent approach adopted in 2022 will likely continue to influence the card issuance strategy in the near term. However, with solid evidence pointing to the growing customer propensity for e-commerce, the Bank will pursue an integrated strategy to prioritise merchant acquisitions across multiple digital platforms.

Bancassurance

The year proved to be a challenging one for the Bancassurance operation. Given its dependence on the Bank's vehicle leasing business, the dual impact of the ongoing restriction on vehicle imports and the Bank's own decision to curtail lending owing to the economic uncertainty continued to affect the ability to canvass new business volumes. Consequently, customer retention was seen as the main priority for the Bancassurance operation in 2022.

As part of the customer retention strategy, the Insurance Loan facility was extended to a larger customer base. Under the Insurance Loan facility, eligible customers were offered a deferred payment plan to enable them to stagger the settlement of their premiums, while continuing to enjoy the complete range of benefits typically offered only for fully paid up insurance policies.

Relationships with all major insurance partners were also further strengthened to ensure customers continue to benefit from competitive rates. Nonetheless, owing to a spate of disposals caused by the high vehicle market prices, overall retention rates for 2022 showed a decline compared to the previous year.



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CORPORATE BANKING

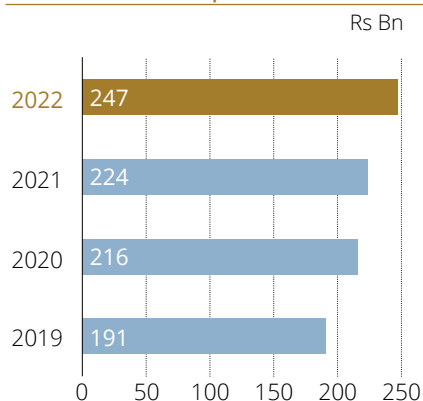


Sampath Bank for its part pressed ahead with broad based efforts to support corporate customers to confront challenges by providing tailor made solutions based on their cash flows while helping to grow the potential sectors.

Corporate Credit

The challenges emanating from the economic crisis, fuel and energy shortages and the Forex liquidity crunch affected corporates at various levels albeit for some, more severely than others. Especially for those who had borne the brunt of the economic fallout from the COVID-19 pandemic, these new challenges signalled continued stress for a foreseeable future.

Loan Portfolio - Corporate Credit

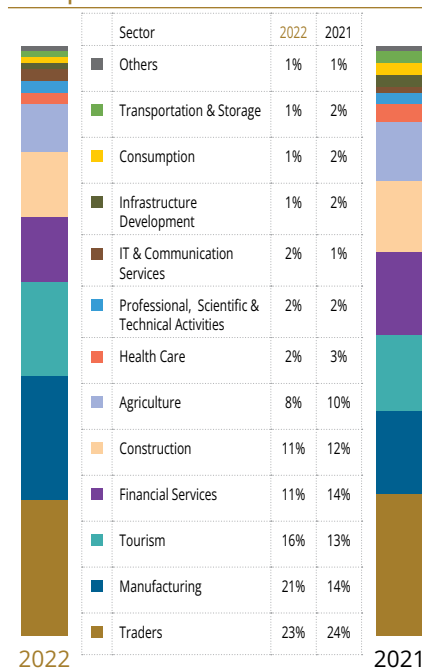


Sampath Bank for its part pressed ahead with broad-based efforts to support corporate customers to confront these challenges by providing tailor made solutions based on their cash flows while helping to grow the potential sectors. Importers who represent nearly 34% of the Bank's corporate loan portfolio were among the worst hit by the foreign currency shortfall in the country. Taking a systematic approach to assist these customers, the Bank moved to allocate foreign currency on a priority basis to support importers of essential items such as agriculture inputs, food and pharmaceuticals. Special structured solutions were offered to these importers of essential items including allowing them to benefit from extended settlement terms. Corporate companies were encouraged to expand to local manufacturing by providing special credit facilities, to minimise the imports. These flexible and customer-centric approaches were also responsible for driving new customer acquisition especially in attracting top rated local conglomerates as well as locally-based multi-national companies.

Equally importantly, the Bank continued to assist customers operating in risk elevated industries such as tourism and construction sectors through special rate concessions, extended payment plans and other relief measures along with the government-led debt moratorium. A strategic decision was also made to curtail new lending to these sectors in a bid to manage sector concentration risks and strengthen portfolio quality.

As part of its overall portfolio de-risking strategy, the Bank paced its lending activities to leverage the robust expansion of the export sector, in particular to increase the coverage to the agri-export and export manufacturing industries that have shown consistent staying power

Sector-wise Loan Portfolio - Corporate Credit



throughout the pandemic period and continue to remain at the forefront of economic growth in the current contentious environment.

Way Forward

With ongoing challenges set to continue for some time to come, managing portfolio exposures will be the key priority for the Bank in future. In this context, the overall lending approach for the next year will be on selected sectors who are resilient under current market conditions. Equally importantly, the Bank will continue to empower existing clients by presenting them with bespoke solutions to grow and sustain their businesses. Further, it is hoped that the implementation of the IMF bailout plan in due course will be a stimuli needed to kick start economic activity and improve investor confidence, in turn leading to a more conducive environment for the resumption of more broad-based lending.

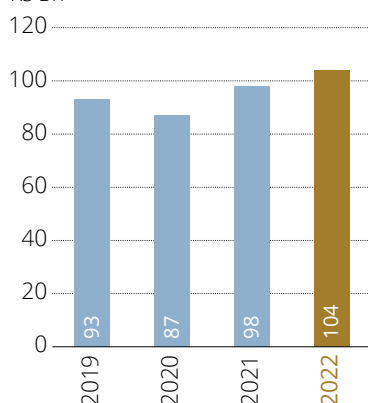
Corporate Finance

Given the economic stress and the burden of high interest rates, the Bank consciously curtailed lending to most sectors, including the renewable energy sector. While admittedly the renewable energy sector has long been the mainstay of Sampath Bank's Corporate Finance Department, the Bank has supported new exposures to renewable energy sector on a selective basis.

Nonetheless, by realigning its lending strategies to target key systemically important sectors of the economy, the Bank succeeded in sustaining the momentum of its Corporate Finance lending book even amidst adverse economic conditions in 2022. Interestingly, the Corporate Finance portfolio recorded a growth compared to the previous year, supported by a solid improvement in new volumes. The local financial sector was the main growth driver, accounting for the majority of the volumes recorded during the period.

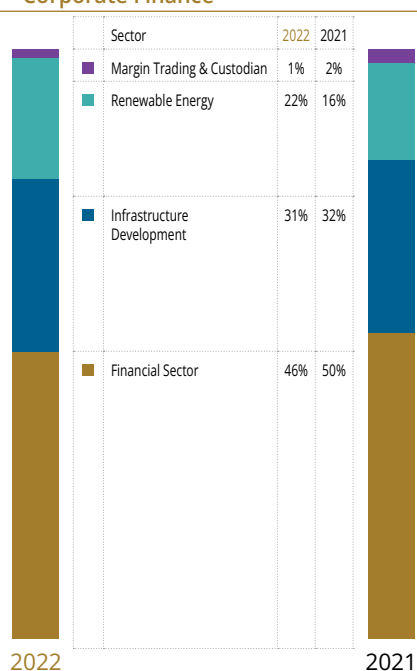
Loan & Investment Portfolio - Corporate Finance

Rs Bn



By realigning its lending strategies to target key systemically important sectors of the economy, the Bank succeeded in sustaining the momentum of its Corporate Finance lending book even amidst adverse economic conditions in 2022.

Sector-wise Loan Portfolio - Corporate Finance



Both margin trading activities and custodian services, which gained traction at the start of the year driven by the equity market rebound in the first quarter, gradually dissipated thereafter following the economic turmoil in the country.

Way Forward

In the near term, the Bank will continue to apply its conservative approach towards new lending with a strong focus on supporting fundamentally strong corporates in systemically important sectors of the economy. Moreover, with current indications suggesting that the renewable energy sector is also well on its way towards a turnaround, renewed interest in investments in the sector and consequently the Bank expects some very viable financing opportunities to materialise in 2023. The Bank will also look to harness the resurgence of equity market activity expected alongside the finalisation of IMF programme.

CORPORATE BANKING

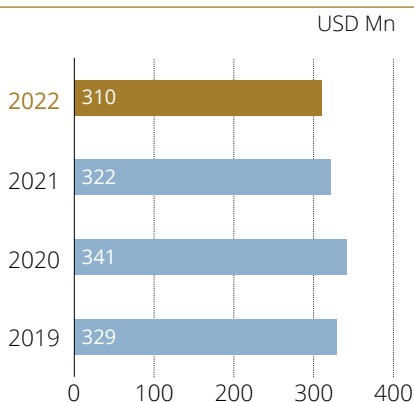
Foreign Currency Banking Unit

The foreign currency liquidity shortage in the market was the main underlying factor that had an impact on Sampath Bank's Foreign Currency Banking Unit (FCBU) operation. The situation was further exacerbated by the prevailing regulatory directive on the mandatory conversion of surplus export proceeds to local currency as well as the ruling preventing banks from mobilising foreign currency deposits from exporters.

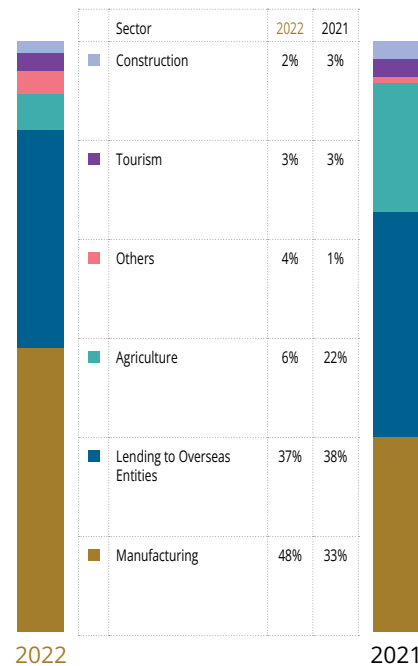
With the ability to grant new facilities severely hampered due to the lack of adequate dollar liquidity, the focus turned towards portfolio consolidation with all efforts centred on helping existing FCBU clients to manage their ongoing facilities through various credit rehabilitation solutions including restructuring/ reschedulement plans and other relief measures.

As a value added service, the Bank also actively engaged in promoting its cash management solutions to help clients to streamline their routine transactional systems and improve their cash flows wherever possible.

Loan Portfolio - FCBU



Sector-wise Loan Portfolio - FCBU



Way Forward

Needless to say the coming months would remain challenging for the FCBU, as the economic downturn is likely to continue for the foreseeable future. However, with the proposed IMF negotiations expected to yield positive economic outcomes and augment foreign currency to flow to the country, the Bank will aim to strategically boost its foreign currency liquidity position in order to allow the FCBU to recommence lending over the medium term.



With the ability to grant new facilities severely hampered due to the lack of adequate dollar liquidity, the focus turned towards portfolio consolidation with all efforts centered on helping existing FCBU clients to manage their ongoing facilities through various credit rehabilitation solutions including restructuring/ reschedulement plans and other relief measures.

SME BANKING



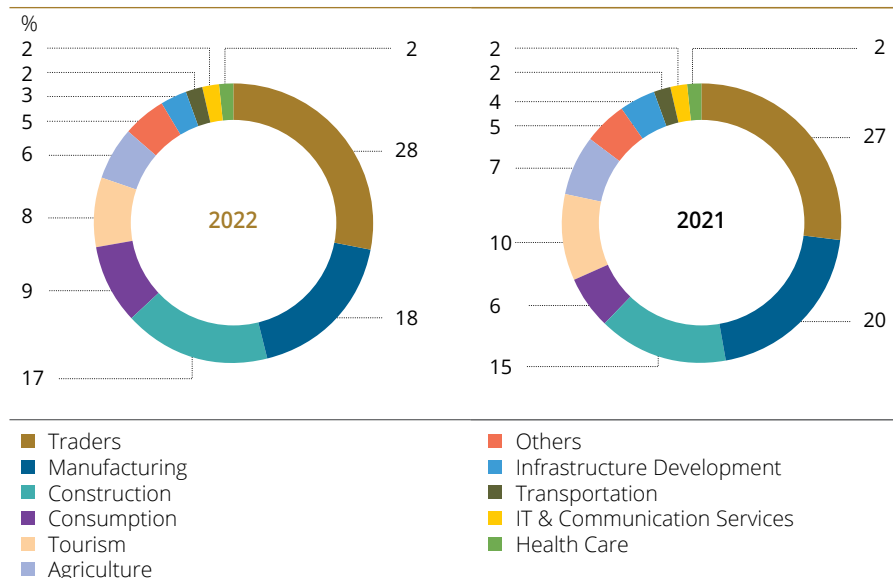
The Bank's own Sampath Saviya credit line was kept open for conditional lending to encourage investment in selected sectors such as renewable energy, modern agriculture, information technology, e-commerce and education.

The SME sector remained under severe stress throughout 2022, being the worst affected by the adverse economic conditions and regulatory restrictions on top of mounting inflationary pressures and rising interest rates.

Seeing the day-to-day operational struggles faced by many SMEs, the Bank broadened its advisory services to assist existing customers in their cash flow management efforts. Customer cash flows were scrutinised and tailor-made solutions including payment moratoriums, restructuring and reschedulement facilities offered on a case by case basis.

The Bank also continued to offer financial assistance to customers through various

Sector-wise SME Loan Portfolio



refinance schemes, including ADB sponsored COVID-19 Emergency Response Scheme, ADB Tea Smallholder and JFPR Grant Scheme, ADB SME Component and We-Fi Grant Scheme, SMILE III Revolving Loan, E-Friends II Revolving Loan, Saubagya Prosperity Loan Scheme, Kapruka Ayojana Loan Scheme and the NCRCS (Sarusara) Scheme.

While a strategic decision to curtail broad-based lending remained in play throughout 2022, the Bank's own Sampath Saviya credit line was kept open for conditional lending to encourage investment in selected sectors such as renewable energy, modern agriculture, information technology, e-commerce and education. ADB funded credit lines too were used to mobilise investments into these sectors.



Way Forward

The focus for the immediate future would be to continue assisting customers to reorient to the ongoing challenges, while strengthening their defenses against future economic headwinds. Over the longer term, it is hoped that the SME sector will make a sustained recovery and reclaim its position as the backbone of the Sri Lankan economy, thus paving the way for Sampath Bank to capitalise on opportunities for credit expansion.

GLOBAL BANKING

International Trade

As unprecedented challenges including the foreign currency liquidity crisis and Sri Lanka's sovereign rating downgrade saw local corporates bracing for the inevitable repercussions on the country's trading credentials, Sampath Bank moved quickly to assist customers in maintaining their transactional capability and assuring business continuity for these organisations.

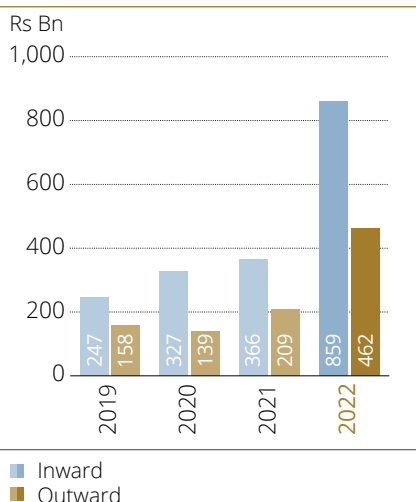
In an effort to assist importers who were handicapped by the foreign currency crisis, the Bank prioritised the allocation of its available foreign currency to support importers of essential food, pharmaceuticals and agri inputs. Beyond this, the Bank also undertook settlement negotiations on behalf of its import trade customers by reaching out to its network of global correspondent banks and often even initiating new relationships with other overseas banks. In addition, following the implementation of the USD 1 Bn import credit line by the Indian Government in March 2022, Sampath Bank moved quickly to assist local importers to import from India without any USD involvement. While adding a considerable boost to the Bank's import transaction volumes, these efforts also helped to manage the foreign currency scarcity to some extent.

Meanwhile, leveraging its longstanding reputation and integrity, Sampath Bank became the first local bank to secure a Trade Assistance Programme (TAP) from the Indian Exim Bank. Under this facility, Exim Bank has in principle agreed to offer 100% coverage for the LCs (Letters of Credit) issued by Sampath Bank. The key objective of the TAP arrangement was to facilitate the confirmation of LCs issued by Sampath Bank in relation to trade transactions carried out between Sri Lankan importers and Indian exporters. This became necessary due to the

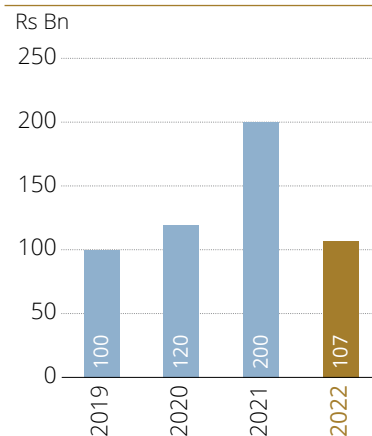
prevailing adverse macroeconomic environment in Sri Lanka, which caused Indian exporters to demand a mandatory bank guarantee from a reputed Indian Bank for the LCs issued by banks in Sri Lanka. However, obtaining such confirmations from Banks in India proved to be challenging for Sri Lankan banks in the current context, especially given the high fee involvement for such approvals.

Furthermore, the Bank continued to work purposefully to fuel the expansion of the country's export sector. For exporters who, due to a regulatory directive were unable to access their export proceeds for working capital requirements, were granted a special LKR denominated pre-shipment facility to enable them to meet their needs. The Bank also set up its own internal advisory team to offer specialist advice to exporters, especially SMEs and start-ups to help them improve their business fundamentals to better respond to market cues. Taking its advisory services to the next level, the Bank entered into a Memorandum of Understanding (MOU) with Sri Lanka's National Chamber of Exporters (NCE), to form a strategic partnership with the NCE, to improve visibility of Sri Lankan exports in global markets.

Inward & Outward TT Volumes



LC Volume



The Sampath Vishwa Corporate facility too was further enhanced with the inclusion of the automated DC (Documentary Credit) module and automated TT (Telegraphic Transfer) module. These new modules have helped to expedite processing of LCs and both outward and inward TTs, leading to a significant improvement in customer service delivery outcomes.

Way Forward

With the foreign currency liquidity shortage likely to remain a headline event for some time to come, the Bank will focus on strengthening its dollar liquidity position to be able to offer trade facilitation solutions for the continuity of import and export trade to and from Sri Lanka.

Bank Notes Operation

As was the case across the industry, Sampath Bank's Bank Notes Operation (BNO) also continued to be affected by the shortage of foreign currency in 2022. Although it was thought that easing of pandemic related travel restrictions would trigger Sri Lanka's tourism sector boom, the country's economic woes further

dampened tourist arrivals which left the country facing a shortage of foreign currency in the domestic market for the third consecutive year. While a marginal improvement was observed in foreign currency circulation in the market following the relaxation of the CBSL's exchange control regime in March 2022, the dearth in foreign currency was a critical issue that persisted throughout the year.

In light of these challenging circumstances, the BNO adopted a proactive approach to support its customers. Early action was taken to source foreign currency from alternative channels in anticipation of heightened demand during peak travel periods. Preemptive strategies of this nature coupled with a systematic management of currency flows, allowed the BNO to support customers' foreign currency requirements for the purpose of outbound travel.

Sampath Bank also further cemented its position as the preferred foreign exchange partner in turn enabling the Bank to reconfirm its status as #1 foreign currency repatriator in Sri Lanka. These efforts combined with stringent ongoing cost containment measures saw the BNO ending the current financial year on a strong note reporting healthy improvements across all key performance metrics.

Way Forward

With the economic rebound and tourism sector revival likely to take longer than initially predicted, the BNO's near term action plan will focus on data analytics to prioritise and streamline foreign currency allocations to customers, together with other technology based solutions to drive process efficiency and control costs.

Remittance

With Sri Lanka as whole experiencing lower inward remittance volumes on the back of exchange rate volatility and economic uncertainty, Sampath Bank redoubled efforts to attract worker remittances and draw in higher volumes of foreign currency into the country through formal channels.

Seeking to create a standout product that is distinctly different from the generic solutions available in the market, the Bank worked with its network of global Fintech partners to position "Sampath e-Remittance" as the most convenient, fast and cost effective solution for Sri Lankans living overseas to remit money to the country safely and legally. Leveraging the strong global presence of its Fintech partners, a series of targeted digital marketing campaigns were initiated to raise awareness among remitters both in captive markets as well as in untapped corridors in the EU and among APEC nations, particularly across the Americas' and the far east region.

Strengthening traditional remittance channels was also seen as a major priority. In this regard, the Bank's global Business Promotion Officer (BPO) network was expanded with a new officer deputised in South Korea.

Proactive efforts to support the government to attract inward remittances to the country saw the Bank complying with the government mandated "Incentive Scheme on Inward Workers' Remittances" that came into effect from 1st February 2022. Accordingly, beneficiaries receiving remittances through the 'Sampath e-Remittance' service and converting such proceeds into Sri Lankan Rupees, were incentivised from day one.

As specified by the "Incentive Scheme on Inward Workers' Remittances", for remittances received to Rupee accounts via licensed banks and other formal channels, the Bank proceeded to reimburse the transaction cost borne by Sri Lankan migrant workers through the payment of Rs 1,000/- for all remittances above Rs 20,000/-.

Reiterating its commitment towards the national initiative to raise awareness among both remitters and beneficiaries, the Bank undertook to promote the RemitWise App. First unveiled to the public in December 2021 to provide details regarding the Sampath Bank's overseas BPO network, current exchange and deposit rates, location of remittance agents etc., the RemitWise App was further upgraded in 2022 with the inclusion of the end-to-end traceability function to enable users to track their e-Remittance transactions in real time. Additionally a chat option has been included in RemitWise App as a value added feature for the migrant community to interact with the Bank.

The Bank's participation was seen in many of the routine awareness sessions conducted by the Sri Lanka Bureau of Foreign Employment to inform prospective migrant workers of the importance of using formal remittance channels.

Way Forward

The national goal to generate incremental growth in inward remittances will remain the overarching mandate driving Sampath Bank's Remittance business. However, given the competitive pressure in the market, the Bank will explore strategies to develop an extensive portfolio of technology-based solutions that combine cost effectiveness, improved traceability, and 24-7/365-day customer convenience.

NOSTRO ACCOUNTS, CORRESPONDENT BANKS AND EXCHANGE COMPANIES

GRI 2-1



37

Nostro Accounts



609

Correspondent Banks



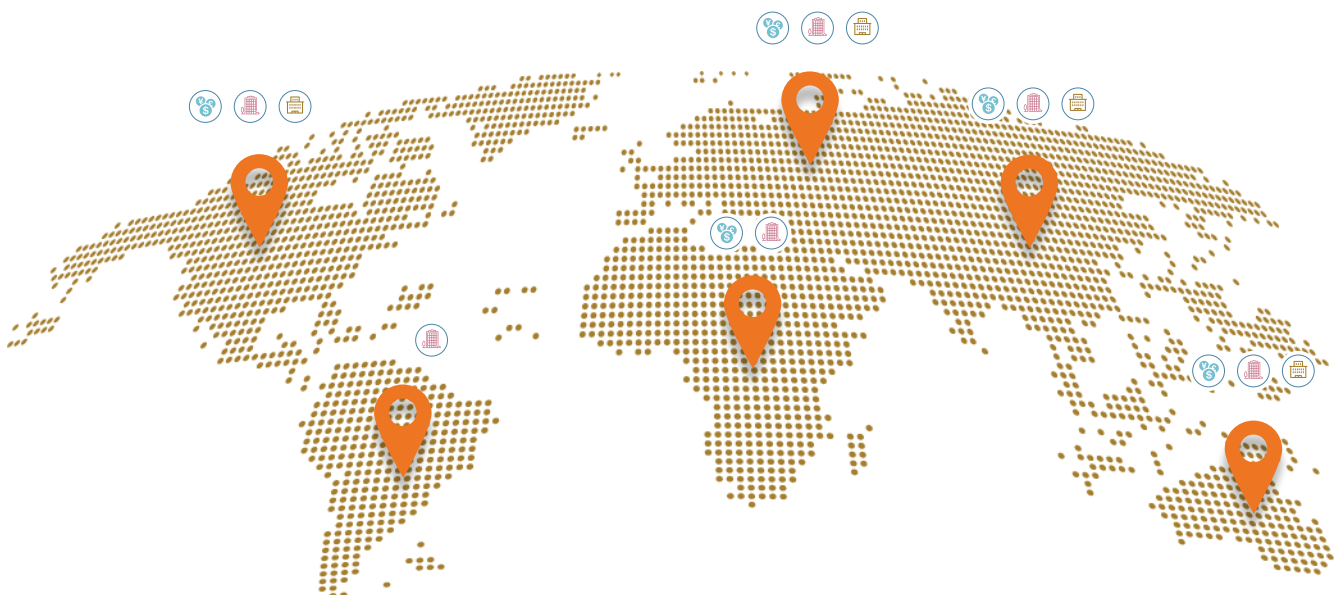
121

Exchange Companies



Scan this QR code for a more comprehensive view of our Nostro Accounts, Correspondent Banks and Exchange Companies

www.sampath.lk



TREASURY

The Treasury's fixed income securities portfolio recorded mixed results in 2022. The notable 700 bps upward adjustment in policy rates by the CBSL in April 2022 was the key factor influencing primary market activity in the first half of the year. In the immediate aftermath of this announcement, interest rates of Treasury Bills and Treasury Bonds shot up, with the 91-day Treasury Bill rate showing a 9% year-on-year rate increase, while the 182-day and 364-day Treasury Bill rates increased by more than 12% over the figures reported in March 2021. Taking advantage of the increased demand for Government Securities, the Bank managed to register substantial capital gains through secondary market activities. Alongside these capital gains however, some notable Mark-to-Market losses were also recorded in relation to Treasury Bills and Treasury Bonds procured during the low interest rate regime. Amidst this backdrop, the Bank took advantage of the one-time reclassification leeway option allowed by the Institute of Chartered Accountants of Sri Lanka to reclassify a portion of its Treasury Bond portfolio as part of the amortised cost portfolio. In yet another positive, the historically high Treasury Bill and Treasury Bond rates in the third quarter, allowed the Bank to grow its customer base of Government Securities Investors.

On the Forex front, it was perhaps one of the most challenging times in recent years. Weak economic conditions, an unprecedented Balance of Payments crisis, on top of the massive LKR depreciation, and severe shortage of foreign exchange liquidity in the domestic foreign exchange market, all culminated in the CBSL resolving to default its debt servicing commitments to foreign banks and institutions. The subsequent downgrade of Sri Lanka's sovereign rating from "C" to "D" by Fitch Ratings in May 2022 followed by S&P in August 2022 applied further pressure on the LKR leading to never-before-seen exchange rate volatility. To add to this, the CBSL in April 2022 announced the inability to settle the SLDB (Sri Lanka Development Bonds) maturities in USD and proposed an alternate settlement plan. By exercising these

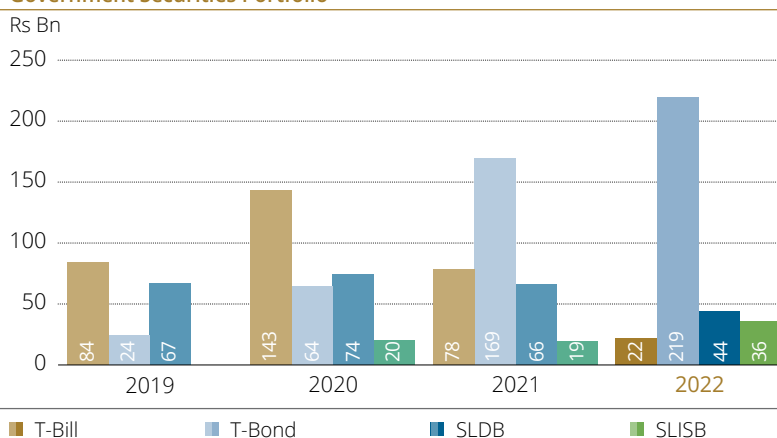
options granted by the CBSL, the Bank converted a majority of its matured SLDB portfolio to LKR denominated instruments, which in turn helped to substantially reduce impairment provisions made on SLDBs.

Anticipating the forthcoming market uncertainty, Sampath Bank's Treasury moved quickly to ensure prudent management of its foreign currency commitments. In an effort to streamline foreign currency cash flows and strengthen the Bank's Net Open Position (NOP), spot and forward sales were curtailed, while USD allocations were prioritised to support only essential imports. Meanwhile, substantial provisions were made in anticipation of possible haircuts on foreign currency denominated government securities.

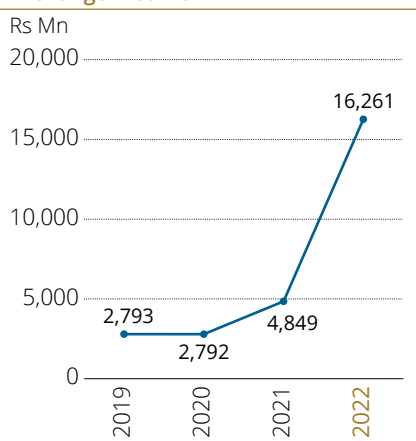
However, taking advantage of volatile market conditions, Treasury recorded a robust FX income from market activities. Furthermore, with the steep depreciation of LKR over USD, foreign exchange reserve revaluation recorded significant gains over corresponding period.

The BNO (Bank Notes Operation), which also comes under the purview of the Treasury, recorded robust results in 2022. Despite challenges, the BNO's exchange income was at an all-time high. (Please refer pages 158 and 159 for comprehensive details regarding the current year performance of the BNO).

Government Securities Portfolio



Exchange Income



Way Forward

On the back of positive market signals emerging in the fourth quarter of 2022, it is envisaged that the year ahead would be somewhat more conducive for both fixed income securities and Forex trading. Moreover, with the staff-level agreement between the IMF and the Sri Lankan government expected to be reached soon, it is hoped that a potential new EFF (Extended Fund Facility) will pave the way for the country to pursue rate stability and prevent further pressure on the LKR.

OPERATIONAL SUPPORT



With the rapid growth in the Bank's business as well as expansion in digital channels, the NSC has in recent years focused quite extensively on process automation to streamline the workload and keep overheads under control.

Network Services Centre

As the central hub handling all back-office reconciliation processes, the Network Services Centre (NSC) performs a critical role in ensuring that day-to-day Bank operations run smoothly.

With the rapid growth in the Bank's business as well as expansion in digital channels, the NSC has in recent years focused quite extensively on process automation to streamline the workload and keep overheads under control. Good progress was made in the ongoing automation programme with the ATM/ CRM and CEFT reconciliation processes partly automated during the current financial year. As part of the NSC's ongoing automation programme, the regulatory reporting process was automated to support accurate and timely submission of regulatory reporting requirements. A new

digital tool to handle customer queries in a convenient manner was also rolled out. Including these latest developments, nearly 40% of the NSC functions have now been automated and converted into paperless processes resulting in a substantial reduction in paper usage by NSC.

Meanwhile, the scope of the NSC was further expanded in the current financial year, with several routine back-office functions (system data entry, processing bulk transactions, preparation of customer account confirmations, processing regulatory orders) at branches brought under the purview of the NSC. A separate unit was carved from within the NSC to manage these functions with effect from mid-2021. This effort is seen as the first step towards ensuring all non-essential branch back-office functions are handled in a more focused manner at a central point in order to improve productivity of branch teams and enhance overall customer experience.

Central Cash Department

The Central Cash Department (CCD) plays an intermediary role in facilitating the cash requirements of the branch and ATM networks. In 2022, the CCD took steps to further strengthen monitoring activities in order to optimise cash availability at branches and manage day-end physical cash reserves in line with internal parameters and in adherence to CBSL guidelines.

As the key custodian of the Sampath ATM network, the CCD continued to work closely with the Bank-appointed third party cash loading partners to push for on-time cash replenishment at ATMs. This was coupled with a focused programme to drive maintenance service providers to attend to ATM breakdowns in order to



96.78%
2022

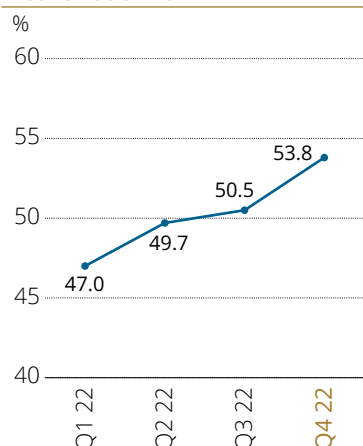
Average ATM Uptime

maintain the Bank's uptime target. Another notable initiative by the CCD was the launch of a dedicated hotline to encourage branches to immediately report any observed delays by cash loading partners or maintenance service providers in attending to on-site ATMs. A notice containing hotline details was posted at off-site ATMs as well to enable customers to notify the CCD of any machine downtime issues they may have experienced. The CCD also began working to implement a new cash draining mechanism which would streamline the disbursement of notes through ATMs and thereby prevent machine downtime triggered by the non-availability of certain denominations. A culmination of these efforts ensured the desired 95%+ average uptime was maintained across the network in 2022.

Meanwhile, the CCD also rolled out a broad-based awareness campaign through the branch network to prevent the circulation of defaced currency notes.

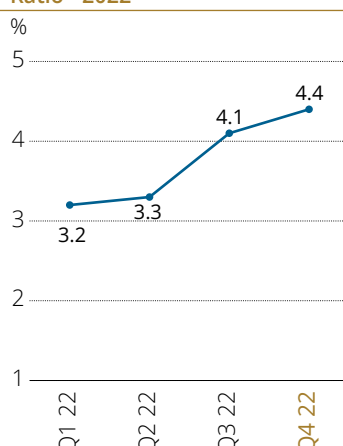
Recoveries

It was another challenging year for recoveries as the impact of the economic crisis began to have a telling effect on corporates, SMEs and individuals alike. Seeing as how industries that had struggled for over two years due to pandemic related challenges were once again under stress, Sampath Bank continued to emphasise its two-pronged recovery approach focused on prevention and reduction of non-performing loans.

**Stage 3 Impairment to Stage 3
Loans Ratio - 2022**

There were some key initiatives implemented in this regard, most notably the automation of key Management Information System (MIS) reports and the rollout of a comprehensive data capture platform to enable real time data tracking of acquired assets.

Alongside the strong focus on MIS, monitoring and review procedures were also further strengthened. Various different information perspectives and analyses were shared with branch teams with zonal recovery heads called in for a monthly meeting with the Head of Recoveries for a detailed review of stressed portfolio under their purview. Leadership oversight of infected customer portfolios was also increased with the Head of Recoveries and where appropriate, the Senior Deputy General Manager in charge of Recoveries, getting involved in reviewing the progress of individual customers' files. In addition, the performance of third party recovery agents was rigorously monitored, while resources at the Legal Department were further enhanced in order to bring in more stringent monitoring of legal files.

**Impaired Loans (Stage 3)
Ratio - 2022**

At the same time, working closely to understand the customers' predicament, tailor-made solutions were offered to assist stressed customers. For example; many customers in the tourism and construction sectors were offered tailored restructuring and rescheduling solutions to help them tide over the current crisis.

From an operational perspective, commissioning of the new digital Delinquent Management System (DMS) went ahead as planned in mid-2022. The fully integrated new system will see the full spectrum of recovery work streams from monitoring and follow-up of credit facilities to the operational procedures related to recovery and including the steps taken by the Legal Department, all consolidated on a single platform. Phase 1 of the DMS roll out saw a centralised call centre being set up to handle customer reminders at the pre-NPA stage. The next phase of monitoring Non Performing Credit Facilities (NPCF) involves work stream integration commenced in the latter part of 2022 and is expected to be completed by end-2023.



Working closely to understand the customers' predicament, tailor-made solutions were offered to assist stressed customers. For example; many customers in the tourism and construction sectors were offered tailored restructuring and rescheduling solutions.

PERFORMANCE OF SUBSIDIARIES

► GRI 2-2



Sampath Centre Limited

Sampath Centre Limited was established in 1996 as the first subsidiary of the Sampath Bank Group. The Company owns and manages the building at No. 110, Sir James Peiris Mawatha, Colombo 02, which houses the Bank's Head Office. The main source of income for Sampath Centre is the rental income earned by leasing out commercial space in the building. At present, Sampath Bank is the Company's only tenant, occupying the entire building except 6th floor which remains under construction/renovation. Sampath Centre Limited tabled a pre-tax profit of Rs 345 Mn for FY 2022, compared to Rs 520 Mn in 2021, a YoY decrease of 34%. This decline is mainly attributed to the 93% decrease in fair value gain on investment property. The Company recorded a post-tax profit of Rs 17 Mn in 2022, compared to Rs 509 Mn in the previous year. This drastic drop is attributed to the increase in deferred tax expense owing to the change in income tax rate.



Sampath Centre building after renovation

Total asset base of the Company increased by 1.9% from Rs 7.9 Bn as at end-2021 to Rs 8.0 Bn as at the reporting date. The main asset of the Company is the building situated in Colombo 02. In order to meet the demand of additional office space requirement of its tenant, the Company constructed an additional 6 floors on top of the 8th floor at a total cost of Rs 1.9 Bn. As of today, floor No. 10, 11, 12, 13, 14 and part of the 9th floor have been completed and handed over to the tenant. The curtain wall (cladding) and new centralised air conditioning (Heating, Ventilation and Air Conditioning - HVAC) system installation have also been completed.

With the purpose of upgrading the existing 8 floors of the building to the same standard of upper floors, the Company commenced the Phase 2 of the building expansion project. Under Phase 2 the renovation of the 7th floor was fully completed and handed over to the tenant in June 2022, while the 6th floor was fully vacated to enable renovation work to commence in August 2022. Refurbishment of the ground floor interior also remains in progress as at end-December 2022. Phase 2 which started in September 2020 is scheduled to be completed by end-2024.



SC Securities (Private) Limited

SC Securities (Private) Limited is a fully-owned subsidiary of Sampath Bank which is engaged in providing stock broking services to local and foreign investors. The Company is a licensed member of the Colombo Stock Exchange (CSE) and has been operating in Sri Lanka's capital market since 1992.

The financial year 2022 saw SC Securities produce a satisfactory performance. Brokerage income of the Company decreased to Rs 436 Mn in 2022 from Rs 720 Mn reported in 2021, and consequently, post-tax profit for the year also fell to Rs 146 Mn from Rs 326 Mn reported in the previous year. These results are commendable as they come amidst extreme political and economic uncertainty in the country.

Amidst various monetary policy decisions by the CBSL, political unrest, policy inconsistency and uncertainty surrounding restructuring of the foreign/local borrowings, the All Share Price Index (ASPI) declined by an unprecedented 30.6% year-on-year. Total market turnover at the CSE also decreased to Rs 687 Bn in 2022 from Rs 1,173 Bn reported in 2021, reflecting a YoY decrease of 41.5%, while total market capitalisation declined to Rs 3,847 Bn. The turnover to market capitalisation ratio fell to 17.8% in 2022 from 21.4% in 2021.

The performance of SC Securities during this difficult period in the local equity market, is attributed to the expertise of the Company's investment advisors and research teams as well as the strategic decisions taken by the management to leverage both the positive and negative market sentiments.



Siyapatha Finance PLC

Siyapatha Finance PLC (Siyapatha), is a fully-owned subsidiary of Sampath Bank PLC, incorporated in March 2005 and initially named as Sampath Leasing & Factoring Limited. Over its 17 years of operation, Siyapatha Finance has grown into the largest subsidiary of Sampath Bank and in September 2013 the entity was rebranded to its current name subsequent to receiving the Finance Company License from the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

Siyapatha operates within the NBFI (Non-Banking Financial Institutions) sector, which has been severely affected by adverse economic conditions in the country in the recent years. Contractionary monetary policy measures by the

government, in particular import restrictions have forced the NBFI sector to diversify its credit portfolio away from its leasing and hire purchase model leading to a higher concentration on pawning/gold loan products. As a cascading effect of this, leasing and hire purchase products as a share of total loans and advances continued to decline in 2022. To add to this, the CBSL's decision to raise policy interest rates in 2022 brought further pressure on net interest income and ultimately on profitability of the NBFI sector.

Even amidst these challenging circumstances, tactical strategies adopted by the Siyapatha management enabled the Company to declare a satisfactory performance for FY 2022, with pre-tax and post-tax profits of Rs 1,064 Mn and Rs 755 Mn respectively. However, owing to the aforementioned challenges, the net lending portfolio decreased by 5.5% to Rs 34.6 Bn as at the end of year 2022. Meanwhile, having booked additional provisions as management overlay for 2021 on a forward-looking basis, the Company was not required to effect a significant increase in the impairment provision during the current period and consequently Siyapatha was able to maintain 58.74% impairment coverage against gross non-performing assets in the period under review.

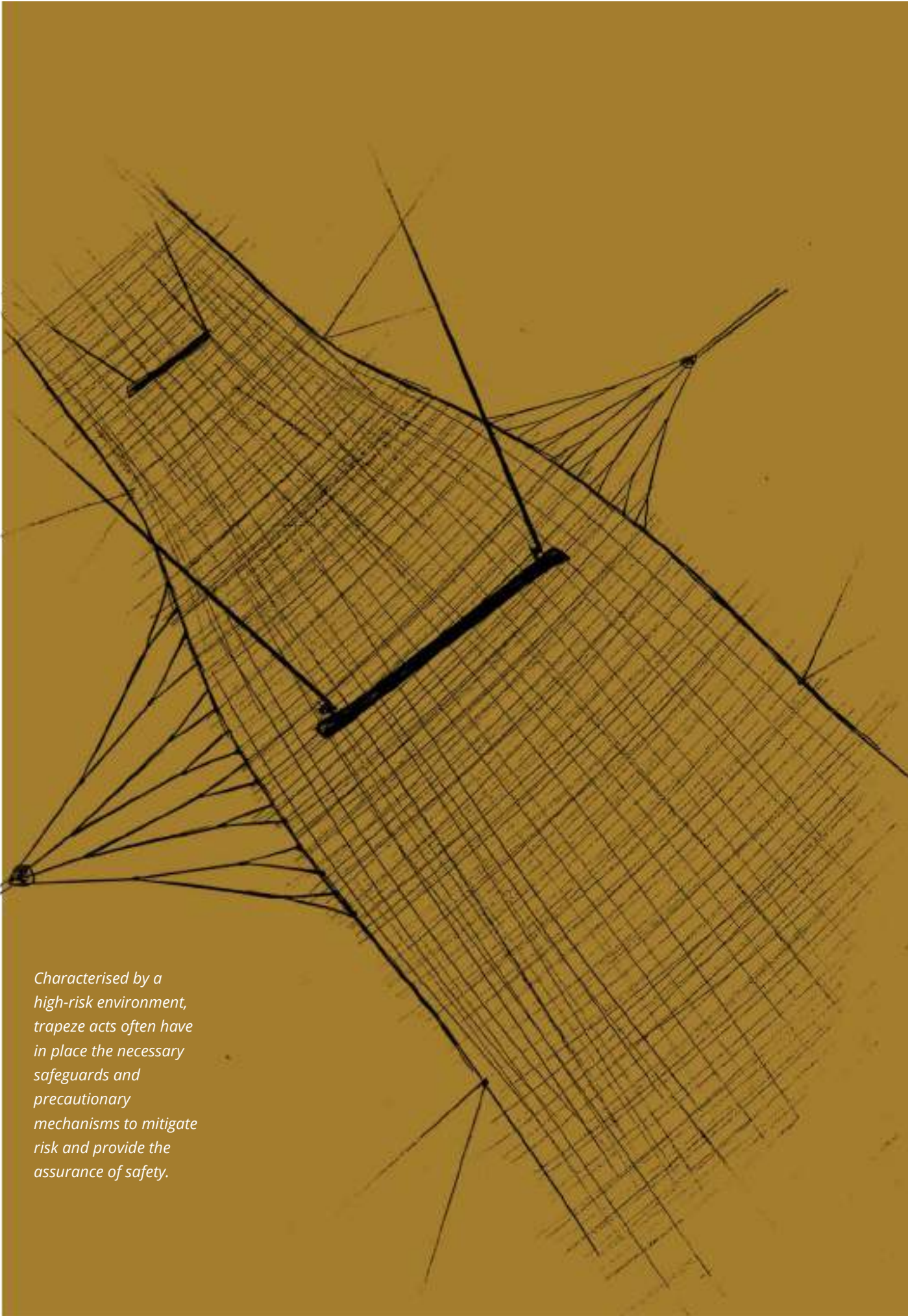


Sampath Information Technology Solutions Limited

Sampath Information Technology Solutions Limited (SITS) is a fully-owned subsidiary of Sampath Bank PLC. The Company specialises in providing end-to-end system integration and consultancy services to support corporates accelerate their digital transformation journey. Managed services, software solutions, and enterprise solutions are the key pillars of the SITS's value proposition. In 2022, SITS received the bronze award at the NBQSA - National ICT Awards 2022 for its "PRIME" software solution platform for corporates.

Despite economic disruptions, social and political unrest, the Company continued to produce solid financial results, tabling a revenue of Rs 1.3 Bn and a post-tax profit of Rs 111 Mn for FY 2022.





Characterised by a high-risk environment, trapeze acts often have in place the necessary safeguards and precautionary mechanisms to mitigate risk and provide the assurance of safety.

ASSURANCE IN PROTECTION

GOVERNANCE AND RISK MANAGEMENT

Uncertainty is negated by minimising risks, and we continue to assess the surrounding environment to insulate ourselves and our partners against the challenges that lie ahead.

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CORPORATE GOVERNANCE

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE



HARSHA AMARASEKERA

Chairman

Governance Highlights for 2022

Board Strength

- Appointment of Mr Hiran Cabraal to the Board
- Re-designation of Mr Dilip de S Wijeyeratne as Senior Independent Director of the Board

Leadership Succession

- Appointment of Mrs Ayodhya Iddawela Perera as the Managing Director - Designate

Board Committee Effectiveness

- Review of the Board Sub-Committee composition

Managing Conflict of Interest

- Review of the procedure of handling the Related Party Transactions by improving the dissemination of information to all relevant stakeholders
- Introduction of a Policy on Anti-Bribery and Corruption retrospectively

ESG Principles

- Establishment of the Environmental and Social Management System (ESMS) Committee

Dear Stakeholders,

Strong corporate governance principles continue to underpin Sampath Bank's ability to deliver results and meet stakeholder expectations.

I am indeed pleased to report that Sampath Bank's well established corporate governance has helped the Board to lead the Bank through a multitude of challenges, including severe economic headwinds and growing competitive pressure that we experienced during the year.

I believe our ability to counteract these challenges is in no small part due to strong and decisive action by the Board to frame the Bank's response to ongoing challenges. I refer in particular to some of the key actions taken by the Board to steer Sampath Bank forward, despite the tough times; overseeing the strategic realignment of the core business in response to the current context; expediting the implementation of the digital roadmap; authorising the expansion of the Bank's community empowerment programme, to name a few.

The Board, as the key custodian of the Bank's capital planning activities, also announced in October 2022 its intention to raise capital of Rs 5 Bn through the issue of 50,000,000 Basel III compliant - Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable, five-year debentures with a Non-Viability Conversion, for a par value of Rs 100/-. The initial issue was structured with an option to issue up to a further 20,000,000 debentures at the discretion of the Bank in the event of an over-subscription of the initial issue and with a further option to issue up to a maximum of another 30,000,000 debentures in the event of an over-subscription of the initial issue and the second tranche.

The Bank received applications for over Rs 10 Bn for the above issue and the same was successfully oversubscribed on the opening day, demonstrating investor confidence in Sampath Bank PLC.

Strategy, Risk Management, Internal Control, and the Adoption of Environmental, Social and Governance (ESG) Principles

The Board continued to execute its responsibility to ensure the efficacy and adequacy of the Bank's risk management framework and internal control systems. Supported by the Board Integrated Risk Management Committee, the Board undertook a deep dive to understand contextual factors that could potentially affect the Bank's risk profile which saw some key structural reforms being introduced to reinforce risk management fundamentals. In parallel, the Board also worked with the Board Audit Committee to further strengthen due diligence activities carried out under the purview of the Internal Audit Department.

Meanwhile, in light of the growing global emphasis on ESG matters as well as the CBSL's recent Directive aimed at promoting Sustainable Finance Activities among Licensed Banks, the Board moved to establish a new Environmental and Social Management System (ESMS) Committee.

Board Quality and Succession Planning

I am pleased to report that the annual Board performance evaluation process applicable for the year 2021 was concluded in the early part of 2022, which gave us valuable insights into the collective and individual strengths of the Sampath Bank Board, while highlighting areas for improvements that will enhance the overall effectiveness of the Board.

It was on this basis that a leading personality Mr Hiran Cabraal was appointed to the Sampath Bank Board on 30th June 2022 as an Independent, Non-Executive Director. Mr Hiran Cabraal, who is highly respected in his respective field, certainly makes an impactful addition to the Board credentials of the Bank.

Meanwhile, Mr Dilip de S Wijeyeratne was re-designated as the Senior Independent Director (SID) on 6th May 2022 in place of former SID, Mr Deshal de Mel who resigned from the Board on the same date.

I am also very pleased to note that our succession planning programme for KMPs is proving to be a tremendous success, as evinced by the formal appointment of Mrs Ayodhya Iddawela Perera as the 'Managing Director – Designate' of Sampath Bank.

Board Committee Effectiveness

Focused efforts to improve the effectiveness of Board Sub-Committees, saw the Board taking steps to review the composition of the Board Sub-Committees in order to bring in more specialised knowledge on topics that have become relevant in the current economic context.

Managing Conflict of Interest

As part of ongoing emphasis on strengthening measures to support proactive identification of Directors' interest, the procedure for handling of Related Party Transactions was further enhanced with a view to improving the dissemination of information to all relevant stakeholders. This was coupled with the introduction of new technology systems to facilitate the capturing of share dealings by Directors, their respective close family members and KMPs.

Sampath Bank as a licensed commercial bank holds ethics and integrity as its highest virtues and strives to conduct its business on the principles of good governance, ethical conduct and sustainability. The Bank is also committed to transparency in all its dealings, which includes transparency in managing actual, potential or perceived conflict of interest, and transparency in dealings with the Customers, Suppliers, Directors and Agents. The Bank's commitment to transparency also extends to the way in which relationships are managed with people who are politically exposed, dealings with the regulators and potential customers and employees. These principles were formally documented in the Board approved Policy on Anti-Bribery and Corruption introduced on 8th July 2022 with retrospective effect from 11th November 2021.

Shareholder Rights and Annual General Meeting (AGM)

In view of the COVID-induced two-year hiatus, the Board resolved to conduct the AGM as an in-person meeting. Accordingly, the 37th AGM is scheduled to be held on 30th March 2023 at 9.30 a.m at "Balmoral" The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01.

In such an eventuality, I wish to reassure our shareholders that the Board will make all necessary arrangements to ensure maximum participation.

Further information about the AGM, details of the resolutions to be proposed and the relevant voting procedures are set out in the Notice of AGM, which has been made available alongside this Annual Report.

Board Declaration

On behalf of the Board, I wish to declare that the Bank and Team Sampath, including the Board of Directors, Corporate Management and Employees have complied with the principles of good governance as set out by the regulatory frameworks applicable for licensed commercial banks, including the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka and its amendments, the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange as well as Bank's internal policy guidelines, best practices and all other applicable regulations.

Way Forward

As Chairman of the Board, I wish to reaffirm that the Sampath Bank Board will continue to support good governance and the application of sound corporate governance principles based on effective and ethical leadership. Further, we will ensure best practices on governance are also in place and comply with statutory governance requirements to ensure long term sustainability of the Bank at all times. Towards this end, we will remain vigilant regarding the evolving business landscape while managing the ongoing uncertainties associated with the challenging economic conditions in order to uphold our reputation for good governance leadership.



HARSHA AMARASEKERA

Chairman

17th February 2023
Colombo, Sri Lanka

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Governance Approach and Key Principles

Sampath Bank's approach to good governance is anchored to the principles of accountability, delegation and effective oversight to support sound and prudent decision-making that will reinforce stakeholder trust and validate the Bank's licence to operate.

Towards this end, the Bank has implemented a robust governance mechanism to serve as the backbone for its operations. Framed by the regulatory requirements, voluntary codes and best practices, and the Bank's governance structure and internal constitutional frameworks, Sampath Bank's governance mechanism seeks to achieve the following objectives;

- Facilitate the proper segregation of duties and responsibilities between the Board and Corporate Management
- Support the efficient use of resources, and promote accountability and responsible stewardship of those resources
- Ensure the Bank complies with all legal and regulatory requirements and encourage the voluntary adoption of governance best practices
- Preserve accountability to stakeholders
- Safeguard the Bank's culture of business integrity and responsible business practices
- Promote ethical leadership, good corporate citizenship and sustainable development to ensure that they are applied in the best interests of all stakeholders

Corporate Governance Framework

Sampath Bank's Governance Framework regulates the application of policies and standards and ensures that the Bank's governance requirements on legal and regulatory compliance, financial management, internal controls, disclosure controls, risk management, internal audit, human resource management, information management, stakeholder relationships, ethics, voluntary codes and sustainability are complied with. The framework also defines the roles and responsibilities at each level of authorities within the Bank.

Governance Structure

Regulatory Requirements

- The Companies Act No. 7 of 2007 and its amendments
- The Banking Act No. 30 of 1988 and its amendments
- The Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka and its amendments
- The Anti-Money Laundering Laws and Regulations and Financial Transaction Reporting Act No. 6 of 2006 and its amendments
- The Listing Rules of the Colombo Stock Exchange
- The Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and its amendments thereto, as repealed by the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- The Inland Revenue Act No. 24 of 2017 and its amendments
- The Shop and Office Employees Act No. 19 of 1954 and its amendments
- The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- The Foreign Exchange Act No. 12 of 2017 and its regulations
- The Code of Best Practices on Related Party Transactions issued by Securities and Exchange Commission.
- All other applicable regulations

Internal Frameworks

- Articles of Association
- Board-approved Terms of Reference (TOR) of Board Sub-Committees
- Board-approved policy frameworks for governance, risk, compliance and operational areas
- Codes of Conduct for Bank Employees, Key Management Personnel and Directors



Voluntary Codes and Best Practices

- The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka
- Global Reporting Initiative (GRI) Standards issued by the Global Sustainability Standards Board
- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- ISO 27001 Information Security Management
- United Nations Global Compact (UNGC) Sustainability Principles
- International Labour Organisation (ILO) Convention for Social and Labour issues including Human Rights
- United Nations Sustainable Development Goals (SDG)

Sampath Bank Corporate Governance Framework

GRI 2-12

Board of Directors

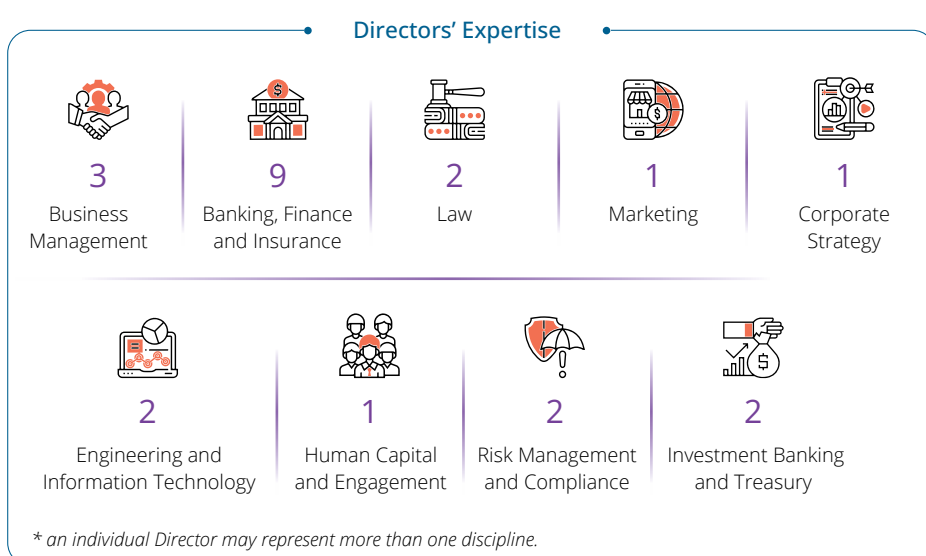
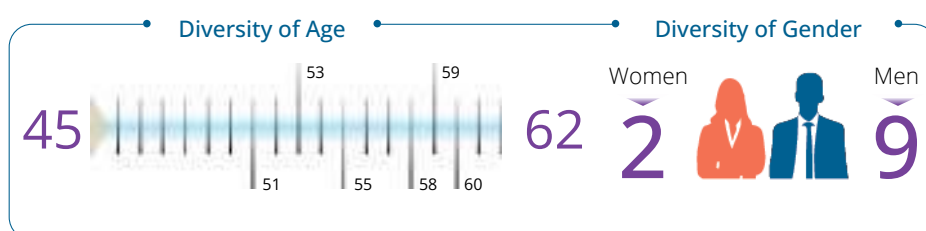
Sampath Bank is led by a strong and well-balanced Board. A majority of Board members being Non-Executive Directors bring a wide range of skills and experience to enable them to make sound judgement, provide constructive challenge, monitor performance and help to develop the Bank's strategy.

Recognising the value of diversity at Board level, the Bank has in recent years adopted a more inclusive approach to strengthen diversity of gender, age and skills to induce fresh perspectives that will foster robust debate and support effective decision-making.

As at 31st December 2022, the Bank Board comprised eleven (11) Directors, of which Nine (09) including the Chairman, function in a Non-Executive capacity. The two (02) Executive Directors are the Managing Director (MD) and the Chief Financial Officer (CFO), who are also considered to be Key Management Personnel (KMP) of the Bank. Seven (07) out of eleven (11) Directors are independent bringing independent judgement and objectivity to the Board deliberations.

Duties and Responsibilities of the Board

The Sampath Bank Board operates as per the powers vested on it by the Bank's Articles of Association and Code of Conduct and Governance Requirements for Directors, which declares the Board as the chief custodian of the Bank's purpose and values. In this capacity, the Board provides stewardship and strategic direction to guide the Corporate Management towards achieving short, medium and long term growth objectives. The Board ensures the availability of adequate resources and necessary cultural alignment to meet these objectives, and that proper internal control systems and appropriate reporting frameworks are in place to measure and report on performance.



CORPORATE GOVERNANCE



The Board has taken up the challenge to exceed the performance expectations of stakeholders while ensuring the Bank remains fully compliant with all applicable laws and regulations.

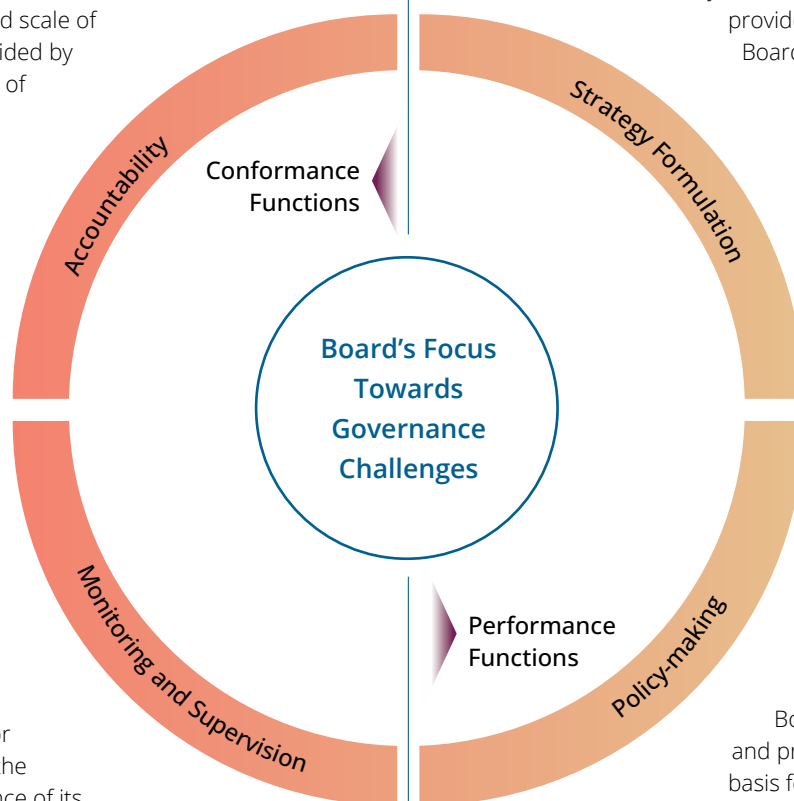


The Board recognises its accountability towards a wider range of stakeholders such as employees, suppliers, customers and society at large and seek to provide relevant information to range of such connected stakeholders. When determining the scope and scale of reporting, the Board is guided by the Articles of Association of the Bank, the laws under which it is incorporated and the requirements of regulatory bodies governing the activities of the Bank.

The Board refers to the financial statements and accounting systems as the primary source for monitoring the state of the Bank and the performance of its KMPs. To be able to keep a better track of executive activities, the Board also relies on regular reports from the budgetary control system where actual revenues and expenditures are measured against budgets.

The Board considers the Bank's Vision to be "The Growing Force in Sri Lankan Financial Services"; to be the key underlying premise influencing corporate strategy. Beyond this, the Bank's core values provide the foundation for the Board to establish the Bank's strategic direction.

Board-approved policies and procedures serve as the basis for operationalising the Bank's strategy. These policies, procedures and plans provide the criteria against which the Board can subsequently monitor and oversee the effectiveness of the Bank's Executive Management.



► GRI 2-12,26

As the apex governing authority in charge of the effective stewardship of the Bank, the Board provides direct oversight for Risk Management and Internal Control, IT and Sustainability as well as for prompting a Bank-wide culture of ethics and good business conduct. The Board holds itself accountable to shareholders for the proper management of the Bank and to act in the best interest of shareholders.

Board Responsibility for Risk Management and Internal Control

Risk oversight is a primary Board responsibility. The Board together with the Board Integrated Risk Management Committee (BIRMC) is responsible for establishing a holistic risk control framework to enable proactive identification and effective management of any and all risks affecting the Bank at a given time. The internal control framework includes Board approved risk appetite limits, policies and procedures and is further supported by a fully-fledged risk assessment programme and a comprehensive monitoring mechanism, both implemented under the purview of the Bank's Risk Management Unit (RMU). The RMU is headed by the Chief Risk Officer who reports to the BIRMC.

Recognising a well-defined Internal Control System is vital for the effective management of risk. The Board has established an Internal Audit function to perform routine due diligence to provide independent assurance regarding the efficacy of the existing risk control framework. The Internal Audit function is headed by the Chief Internal Auditor who reports directly to the Board Audit Committee (BAC).

The Risk Management Report on pages 204 to 217, the Report by the Chairman of BIRMC on pages 198 to 200 and the Report by the Chairman of BAC on pages 190 to 193, the Directors' Statement on Internal Control Over Financial Reporting on pages 232 to 233, offer a comprehensive coverage of the Bank's Risk Management infrastructure and Internal Control activities.

Board Responsibility for IT Governance

The Board discharges its responsibility for IT Governance through the Board IT Committee (BITC) which is tasked with making recommendations to the Board regarding the Bank's digital strategy, policies, formulating expenditure budgets to ensure the Bank's IT infrastructure and information security systems keep pace with the evolving requirements of the business. The recommendations made by the BITC are reviewed and approved by the Board as appropriate prior to being implemented.

The BITC works closely with the Chief Information Officer (CIO) to oversee the implementation of the Bank's digital initiatives and infrastructure upgrades and with the Chief Information Security Officer (CISO) to safeguard the Bank's data systems against both information security breaches and cyber threats.

Board Responsibility for Environmental and Social Governance (ESG)

The Board has always placed strong emphasis on strengthening Sampath Bank's ESG credentials. In 2022, the Board took a major step forward to cement this commitment with the establishment of the Environmental and Social Management System (ESMS) Committee. The ESMS Committee has been tasked with putting in place a framework of policies and procedures to drive the principles of sustainable lending while simultaneously creating a foundation to integrate global best practices for environmental management into the Bank's own operations.

The duties of the ESMS Committee also include reviewing of the Bank's Material Topics with reference to ESG considerations.

The section on Material Topics on pages 58 to 61 of this Annual Report offers more context on this area.

Board Responsibility for Promoting Ethics and Good Business Conduct

The Board sets the tone from the top and leads by example in promoting a culture of ethics and good business conduct. Every member of the Board complies both in letter and in spirit, to the Code of Conduct and Governance Requirements for Directors thus executing their duties ethically and in align with the Bank's values.

Additionally, the Code of Conduct for Employees and the Code of Conduct for Corporate Management, both set out specific guidelines that serve as the basis of promoting good business conduct among employees. In particular, the Anti-Bribery and Corruption Policy and the Gift Policy which are encapsulated within these codes seek to prohibit any Bank employees from paying or accepting bribes/gifts to obtain any improper business or other advantage.

Meanwhile, the Whistle Blowing Policy functions as a channel for employees and other third parties to anonymously report potential irregularities or financial misappropriations. All Whistleblower complaints are reviewed by the Board Audit Committee. Throughout the investigation process, two-way communication is maintained to keep the whistleblower updated regarding the progress of the investigation. In 2022, the Board authorised the Group-wide roll out of the Whistleblower process with an authorised team appointed at each subsidiary to receive and coordinate the investigation of Whistleblower complaints.

Board Responsibility for Upholding Shareholder Rights

The Board is committed to the responsible treatment of all shareholders. Towards this end, multiple channels are available to encourage active shareholder engagement, while the corporate website, the Annual Report, Interim Financial Statements, CSE announcements, other press releases and social media posts keep shareholders informed of the Bank's progress and activities.

CORPORATE GOVERNANCE

► GRI 2-10,12,15

In line with the Board's efforts to prioritise equitable access to information, Sampath Bank's Interim Financial Statements are published in all three mediums. Furthermore, the Annual Report and other financial information are made available on the corporate website for easy reference and download.

The Annual General Meeting provides an opportunity for shareholders to connect with the Board and the management one-on-one. The 36th AGM was convened as an online virtual meeting through "Zoom" video communication app on 30th March 2022 to encourage maximum participation of shareholders.

Role of the Chairman of the Board

The Chairman's primary role is to lead the Board to ensure it functions effectively in achieving the Bank's purpose and strategy. In this regard, the Chairman is responsible for ensuring Board Meetings are scheduled well in advance with appropriate frequency to ensure that the Board agenda is forward-looking and reflects the important matters faced by the Bank. It is the duty of the Chairman to encourage the open exchange of views and robust debate at Board meetings, in particular by facilitating the effective contribution of Non-Executive Directors, and promoting constructive relations between Executive and Non-Executive Directors.

Mr Harsha Amarasekera serves as the Non-Independent, Non-Executive Chairman of the Sampath Bank Board.

Role of the Managing Director

Sampath Bank's Managing Director reports directly to the Board and is responsible for the executive management of the Bank. In this capacity, the Managing Director is responsible for providing leadership to the Corporate Management Team in the day-to-day management. The Managing Director also provides oversight

for the implementation of Board approved policies ensuring that the Bank fulfils its regulatory and fiduciary commitments.

Mr Nanda Fernando serves as the Managing Director of Sampath Bank PLC.

Appointment/Re-election/Resignation of Directors

New Directors are appointed by the Board through a formal and transparent process with due consideration of recommendations by the Board Nomination Committee. Potential external directorial candidates are initially vetted by the Nomination Committee to confirm their eligibility and ability to meet the criteria for assessment of fitness and propriety of Directors.

Mr Deshal de Mel - Senior Independent Director tendered his resignation from the Sampath Bank Board on 6th May 2022 and was replaced by Mr Dilip de S Wijeyeratne as the Senior Independent Director of the Board on the same date.

Mr Hiran Cabraal, a veteran international banker and risk management consultant was appointed as an Independent, Non-Executive Director to the Sampath Bank Board on 30th June 2022.

In accordance with the provisions in the Articles of Association and the CBSL Direction, Directors appointed to the Board after the last AGM are eligible to offer themselves for election by the shareholders at the subsequent AGM. Accordingly, Mr Hiran Cabraal will be eligible to stand for election by the shareholders at the 37th AGM to be held on 30th March 2023.

Meanwhile, there is also a clear procedure in place to enable the orderly succession to the Board. Based on this procedure, Mrs Ayodhya Iddawela Perera was formally appointed as 'Managing Director - Designate' of Sampath Bank PLC.

Directors' Remuneration

Remuneration of Non-Executive Directors is determined based on the Board-approved Policy on Directors' Remuneration whereas the remuneration for Executive Directors is determined in line with the Board-approved Reward Management Policy for KMPs which is designed to attract, retain and motivate the executive leadership of the Bank.

Managing Conflicts of Interest

All Directors are expected to act in good faith and maintain full transparency regarding the activities that could potentially be construed as conflict of interest. As such, all Directors are required to submit an annual written declaration to the Company Secretary stating all other directorships and memberships they hold and any interim changes should be immediately notified to the Company Secretary. Such interim declarations are included as part of the Board agenda and presented for review at the next Board meeting.

The same procedure applies to new Directors, who upon assuming a position on the Sampath Bank Board, are required to formally declare to the Bank the positions they occupy in companies and public institutions.

The Board Related Party Transactions Review Committee (BRPTRC) provides guidance and oversight for managing issues pertaining to conflicts of interest. Page 231 of this Annual Report carries a comprehensive and fully verified list of Directors' Interest in Contracts with the Bank as at 31st December 2022. Further insights can be obtained from the Report by the Chairman of the BRPTRC on pages 201 and 202.

Board Meetings

A total of 24 Board Meetings were held in 2022 with all meetings well attended.

GRI 2-9

Directors' Attendance at Board and Mandatory Board Sub-Committee Meetings

Name of Director	Date of Appointment to the Board	Age	Membership Status	Board Meeting Attendance (Attended/Eligible to Attend)	Board Sub-Committee Meetings Attendance (Attended/Eligible to Attend)				
					BAC	BHRC	BNC	BIMC	BRPTRC
Mr Harsha Amarasekera	18.08.2020	59	NED NID	24/24	-	-	7/7	-	-
Mr Rushanka Silva	01.09.2017	45	NED NID	23/24	-	-	7/7	-	-
Mr Dilip de S Wijeyeratne	13.11.2018	60	NED IND	23/24	14/14	6/7	7/7	6/7	2/2
Ms Aroshi Nanayakkara	30.05.2019	53	NED IND	23/24	-	7/7	2/2	4/4	-
Dr Sanjiva Weerawarana	01.06.2019	55	NED IND	22/24	13/14	-	-	5/7	2/4
Mr Vajira Kulatilaka	25.06.2020	62	NED IND	24/24	-	7/7	-	-	4/4
Mrs Keshini Jayawardena	01.10.2020	62	NED IND	23/24	-	2/2	7/7	1/1	1/2
Mr Vinod Hirdaramani	16.02.2021	51	NED IND	23/24	3/3	6/7	4/4	1/1	-
Mr Hiran Cabraal •	30.06.2022	58	NED IND	11/11	8/8	-	-	4/4	2/2
Mr Nanda Fernando	13.09.2016	60	ED	24/24	-	-	-	7/7	-
Mr Ajantha de Vas Gunasekara	29.10.2020	55	ED	24/24	-	-	-	-	-
Mr Deshal de Mel •	26.09.2019	38	NED IND	9/9	4/4	2/2	3/3	2/2	1/1
Total Meetings				24	14	7	7	7	4

NED Non-Executive Director ED Executive Director IND Independent Director NID Non-Independent Director
 • w.e.f 30.06.2022 • Until 06.05.2022

All meetings held during the year saw the Board allocate an adequate time to discuss the actual and potential impacts to the Bank from the ongoing economic crisis in Sri Lanka and to determine the way forward. Stemming from these discussions, the Board moved to redefine the Bank's risk parameters with special emphasis on prudent management of credit and liquidity risks in the current context. The implications to the Bank from the LKR depreciation was also a frequent agenda item at many of the meetings.

The Board meetings held in October and November 2022 were dedicated towards reviewing and approving the strategic plan and the annual budget for financial year 2023.

The focus on strengthening governance continued throughout the year, with the Board reviewing and updating several existing policies, including the Whistleblowing Policy.

Board Process

Before the Meeting

The routine agenda for Board Meetings is developed by the Chairman in consultation with all other Directors including the Managing Director and the Company Secretary. Agenda items typically include but are not limited to Strategy, the Bank's Performance, Industry Performance, Financials, Resource Allocation, Risk Management and Compliance.

The Company Secretary is responsible for circulating Board papers and the agenda to all Directors. In general, this is done seven days prior to the meeting by uploading the BoardPAC.

At the Meeting

The Directors are expected to come prepared for Board meetings and actively participate in Board discussions. A Director is expected to recuse himself/herself from participating in any meetings if an agenda item refers to a manner in which he/she has an interest. This is done to allow the Board to deliberate on the matter without undue influence. The Company Secretary maintains Minutes of all matters discussed at Board meetings.

After the Meeting

Board Minutes are circulated to all Directors by the Company Secretary subsequent to the Board Meeting inviting Directors to share their comments and concerns regarding the Minutes. Significant matters that warrant broader discussion are incorporated into the agenda for the next Board meeting.

CORPORATE GOVERNANCE

► GRI 2-9

Board Sub-Committees

Board Sub-Committees function under the delegated authority of the Board and play a crucial role in the Bank's governance architecture. Sampath Bank has twelve (12) Board Sub-Committees. Of these, five (05) (Board Audit Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee, Board HR & Remuneration Committee and Board Nomination Committee) are established to meet regulatory requirements, while the remaining seven are voluntary Committees that reflect the Bank's commitment to emulate governance best practices.

All Committees function in accordance with the Board approved Terms of References (TOR) that cover such matters as membership, scope of duties, responsibilities reporting parameters and meeting frequency.

As per the respective TORs, the Chair and membership of all mandatory Committees are Independent Non-Executive Directors. The independence of Sampath Bank's Audit Committee is further enhanced through the presence of an independent external consultant.

The TORs of voluntary Committees also follow a same essential principles, where the majority of the Chair and membership comprise Independent Non-Executive Directors, with one exception that makes provision for the inclusion of an Executive Director, usually the Bank's Managing Director.

Also, the Board established a Board Sub-Committee named as "Board Review Committee for Sampath Centre Constructions", to temporarily keep track of the construction and renovation work being done on the Sampath Centre building on the same day.

Role of the Company Secretary

Sampath Bank's Company Secretary is responsible to the Board as a whole, and to the individual Directors. The Company



Secretary maintains the Minutes of the Board Meetings and circulates the same amongst all Board Members. Additionally, the Directors have unlimited access to the Company Secretary for advice and guidance with regard to the compliance with relevant rules, regulations, directions and statutes.

Meetings of the Non-Executive Directors

All Non-Executive Directors meet the Senior Independent Director at least twice a year without the participation of Executive Directors. The purpose of such meetings is to provide an independent judgment on the Bank's performance and to enable discussion and communication of governance related matters.

GRI 2-9,18



Evaluating the Performance of the Board and Board Sub-Committees

The performance of the Board is evaluated annually with the Board collectively and Directors individually undertaking a self-evaluation to determine if, the Board as the highest governing body of the Bank has discharged its responsibilities satisfactorily. Duly completed Board Performance Evaluation Forms are submitted to the Company Secretary who is required to summarise and compile the responses into a report to be presented for discussion at a Board Meeting. The

same procedure is followed for evaluating the performance of Board Sub-Committees.

The results of the latest evaluation cycle confirm that the Sampath Bank Board and Board Sub-Committees continue to perform their respective roles effectively.

CORPORATE GOVERNANCE

► GRI 2-9,17

Directors' Training

Sampath Bank places great importance ensuring all the Directors have access to learning, development and training opportunities to better equip them with skills and knowledge required to fulfil their fiduciary duties and carry out their roles and responsibilities. Training on business related matters such as those conducted by the CBSL, CSE and other regulatory bodies are most often scheduled to be conducted during Board meetings. The Bank also arranges for Directors to attend various external forums, including seminars, conferences and workshops to keep abreast of current developments in banking, banking regulations, cyber crime, governance best practices etc.

Training Topics

- Open Banking presentation
- Current economic conditions
- Overview of New Securities and Exchange Commission Act
- New changes to the CSE Listing Rules
- Issues in Sovereign Domestic Debt Restructuring
- Current Economic Condition and Domestic Debt Restructuring
- Awareness Session on Information Security
- An Outlook of Debt Restructuring of Sri Lanka
- High Level web conference on key aspects of AML/CFT compliance for Board of Directors and Key Management Personnel of Licensed Banks and Licensed Finance Companies

Management Committees

Management Committees are operational level Committees to provide more focused oversight in selected areas of the day to day business operations. These Committees typically comprise representatives from Corporate and/or Senior Management that operate on the basis of appropriate TORs approved by the Board.

	Corporate Management Committee		Advances Committee
	Asset & Liability Management Committee (ALCO)		Recovery Planning (RCP) Working Committee
	Investment Committee		Internal Capital Adequacy Assessment Process (ICAAP) Working Committee
	Credit Policy, Risk and Portfolio Review Committee		Sri Lanka Financial Reporting Standards (SLFRS) Committee
	IT Steering Committee		Potential NPA Identification Committee
	Information Security Committee		Fraud Risk Management Committee
	Outsourcing Committee		Dissemination of Regulatory Instructions Committee
	Procurement Committee		Product Rationalisation Committee
	Executive Advances Committee		Data Dissemination Committee
	Risk & Compliance Committee		Sustainability Committee
	Internal Control Over Financial Reporting (ICOFR) Committee		Environmental and Social Risk Management System Implementation Committee

CORPORATE GOVERNANCE COMPLIANCE DISCLOSURE

Excellence in Corporate Governance is viewed as a key catalyst in maintaining Sampath Bank's Leadership position within the highly competitive local banking sector within which the Bank operates. The tables shown here summarise the Bank's level of compliance with regulatory requirements, including the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, the Banking Act Direction No. 11 of 2007 and amendments thereto, Section 7.6 of the Listing Rules of the Colombo Stock Exchange and Section 168 of the Companies Act No. 07 of 2007 and amendments thereto.

Corporate Governance Compliance Disclosure

CBSL

Disclosure Requirement	Reference Section	Page Reference
Responsibilities of the Board	Section 3(1)	432 - 435
Board Composition	Section 3(2)	435 - 436
Criteria to Assess Fitness and Propriety of Directors	Section 3(3)	436
Management Functions Delegated by the Board	Section 3(4)	437
The Chairman and Chief Executive Officer/Managing Director	Section 3(5)	437 - 438
Board Appointed Committees	Section 3(6)	438 - 443
Related Party Transactions	Section 3(7)	443 - 444
Disclosures	Section 3(8)	444 - 446
Transitional and Other General Provisions	Section 3(9)	446

ICASL

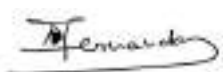
Disclosure Requirement	Reference Section	Page Reference
Directors	Section A	447 - 455
Directors' Remuneration	Section B	455 - 456
Relations with Shareholders	Section C	456 - 458
Accountability and Audit	Section D	458 - 461
Institutional Investors	Section E	462
Other Investors	Section F	462
Internet of Things and Cybersecurity	Section G	463
Environment, Society and Governance	Section H	464

CSE

Disclosure Requirement	Reference Section	Page Reference
Contents of the Annual Report	Section 7.6	465 - 466

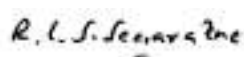
Companies Act

Disclosure Requirement	Reference Section	Page Reference
Contents of the Annual Report	Section 168	222 - 224



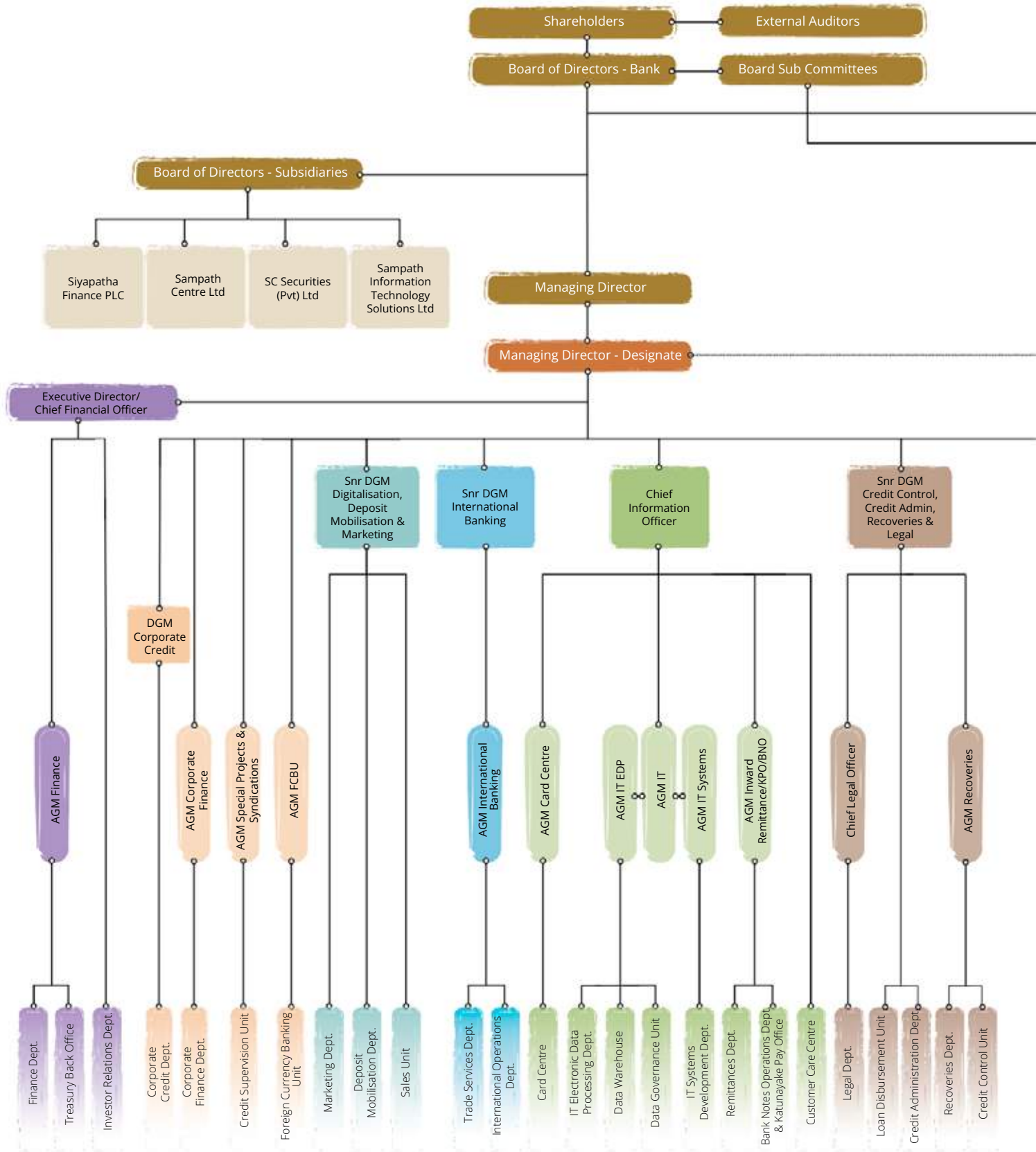
NANDA FERNANDO
Managing Director

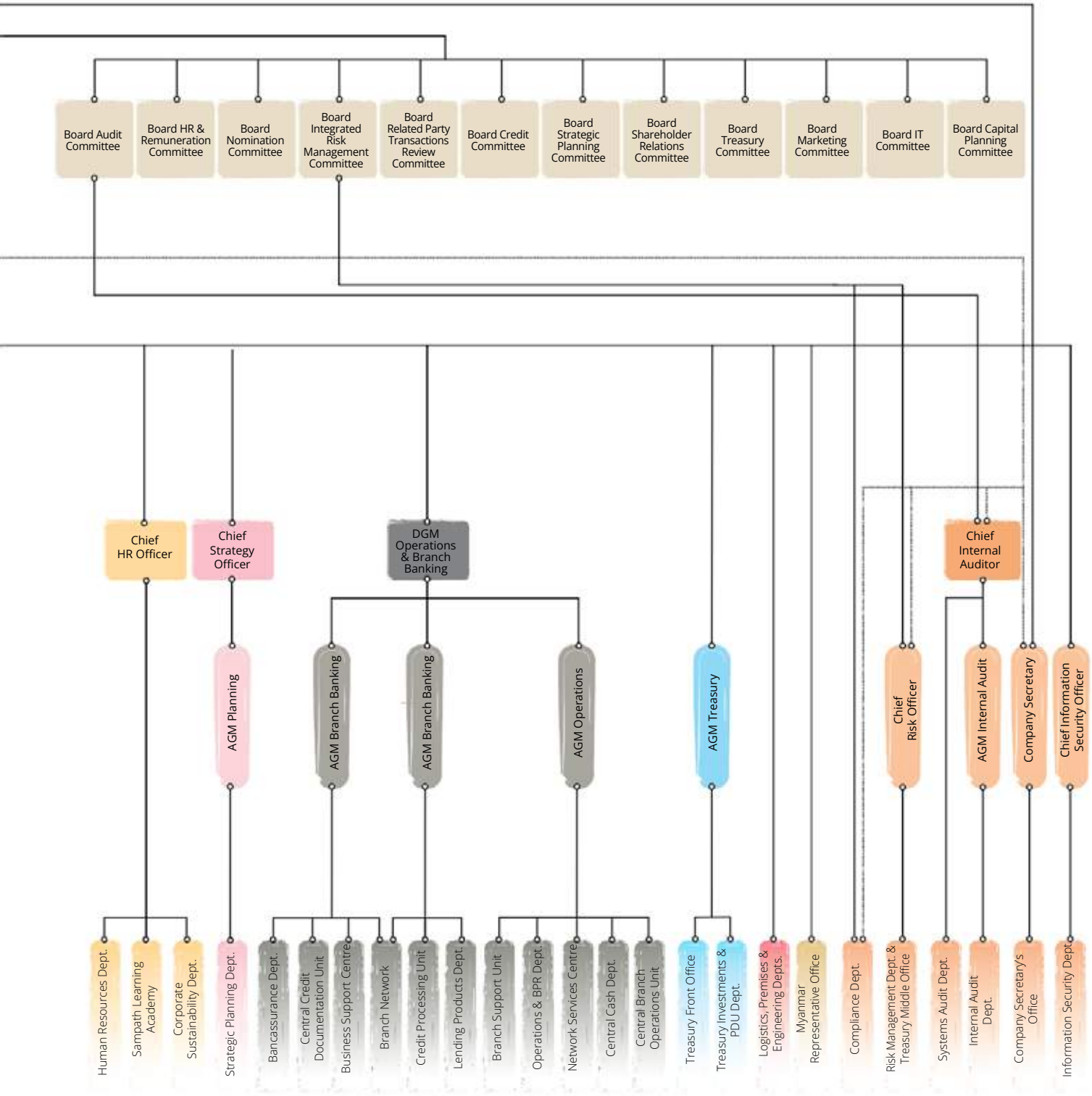
17th February 2023
Colombo, Sri Lanka



LASANTHA SENARATNE
Company Secretary

GOVERNANCE STRUCTURE





BOARD OF DIRECTORS

▶ GRI 2-9,11



**Harsha Amarasekera, President's Counsel
Chairman**

BMC BSC BSPC BMC BDPG

Appointed as Non-Independent, Non-Executive Director on 18th August 2020
Chairman of the Board of Directors with effect from 30th August 2020

Expertise

Law

Qualifications

- Attorney-at-Law of the Supreme Court of Sri Lanka
- President's Counsel

Current Appointments

Non-Executive Chairman
Sampath Bank PLC

Non-Executive, Independent Chairman
Vallibel One PLC
CIC Holdings PLC
Royal Ceramics Lanka PLC
Vallibel Power Erathna PLC
Swisstek (Ceylon) PLC
Swisstek Aluminium Limited
CIC Agri Businesses (Pvt) Ltd

Non-Executive, Independent Director
Expolanka Holdings PLC
Hayleys Leisure PLC
Ambeon Capital PLC

Non-Executive Director
Link Natural Products (Pvt) Ltd
Ceylon Hotels Holdings (Pvt) Ltd
The Hill Club Company Ltd
Galle Face Management Company (Pvt) Ltd
Millennium Airlines (Pvt) Ltd
Millennium Investments Lanka (Pvt) Ltd
Silver Aisle (Pvt) Ltd



**Nanda Fernando
Managing Director**

BMBD BDC BSPC BSPG BTD BMC BTDG BDPG

Appointed as Executive Director with effect from 13th September 2016

Expertise

Banking, Marketing Management

Qualifications

- Masters of Business Administration specialised in Marketing from Sikkim Manipal University, India
- Senior Fellow Member of the Institute of Bankers of Sri Lanka

Current Appointments

Managing Director
Sampath Bank PLC

Director
Lanka Financial Services Bureau Ltd
LankaBangla Finance Limited
Institute of Bankers of Sri Lanka



**Rushanka Silva
Deputy Chairman**

BMC BDC BSPC BSPG BMC BTDG BDPG

Appointed as Non-Independent, Non-Executive Director on 1st September 2017
Deputy Chairman of the Board of Directors with effect from 24th September 2020

Expertise

Business Management, Finance

Qualifications

- Masters of Business Administration from University of Western Sydney, Australia
- Associate Member of the Chartered Institute of Management Accountants, UK (ACMA)
- Alumnus of Harvard Business School, USA

Current Appointments

Chairman
Braybrooke Residential Properties (Pvt) Ltd
Braybrooke Residential Towers (Pvt) Ltd
Indra Hotels and Resorts Kandy (Pvt) Ltd

Deputy Chairman
Sampath Bank PLC
Siyapatha Finance PLC

Managing Director
Indra Traders (Pvt) Ltd

Director
Indra Motor Spares (Pvt) Ltd
Indra Property Development (Pvt) Ltd
Sampath Centre Limited



Dilip de S Wijeyeratne
Senior Independent Director

BAC CHRC BNC CHMC BSPC BTC BCPC

Appointed as Non Independent,
Non-Executive Director on
13th November 2018
Independent Director with effect from
8th August 2019
Senior Independent Director with effect
from 6th May 2022

Expertise

Banking, Finance, Risk Management &
Compliance, Investment Banking and
Treasury

Qualifications

- Graduate Member of the Australian
Institute of Company Directors
- Associate Member of the Institute of
Chartered Accountants of Sri Lanka
(ACA)
- Fellow Member of the Chartered
Institute of Management Accountants,
UK (FCMA)

Current Appointments

Senior Independent Director
Sampath Bank PLC

Independent, Non-Executive Director

Singer (Sri Lanka) PLC
Regnis (Lanka) PLC
Singer Industries (Ceylon) PLC
Hayleys Fibre PLC



Aroshi Nanayakkara
Independent, Non-Executive Director

CHRC BNC CHMC BSPC BTC BMC BTIC

Appointed as Non-Independent,
Non-Executive Director on 30th May 2019
Independent Director with effect from
27th June 2019

Expertise

Human Capital and Engagement, Corporate
Strategy, Banking and Finance

Qualifications

- BSc. in Management from the
Massachusetts Institute of Technology,
USA
- MSc. In Management from London
School of Economics, UK
- ACMA and CGMA qualifications from
the Chartered Institute of Management
Accountants, UK

Current Appointments

Independent, Non-Executive Director
Sampath Bank PLC
Asian Hotels & Properties PLC

Chief Executive Officer
Global Consulting Company

Senior Vice Chair and Director
Sri Lanka Institute of Directors

Chairperson

Women Corporate Directors Sri Lanka
Chapter (WCD)
Women Directors Forum of the Sri Lanka
Institute of Directors



Sanjiva Weerawarana
Independent, Non-Executive Director

BAC CHMC CHPTC BSPC BTIC

Appointed as Independent,
Non-Executive Director
with effect from 1st June 2019

Expertise

Information Technology

Qualifications

- PhD in Computer Science from Purdue
University, USA

Current Appointments

Independent, Non-Executive Director
Sampath Bank PLC

Chief Executive Officer
WSO2

Chairman & Director
Avinya Foundation

Chairman
Lanka Software Foundation
Lanka Data Foundation

Director
S.A.S. Engineering (Private) Limited

BOARD OF DIRECTORS



Vajira Kulatilaka
Independent, Non-Executive Director

CHRAE CHPTAC BOC BSPC BTC BTE BCPC

Appointed as Independent, Non-Executive Director with effect from 25th June 2020

Expertise

Engineering, Banking and Finance,
Investment Banking and Treasury

Qualifications

- BSc. in Civil Engineering (First Class Honours), University of Moratuwa
- MEng. in Industrial Engineering and Management from Asian Institute of Technology, Thailand
- Chartered Financial Analyst (CFA) from Institute of Chartered Financial Analysts, USA
- Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA)

Current Appointments

Independent, Non-Executive Director
Sampath Bank PLC
Printcare PLC
Panasian Power PLC
Hemas Hospitals (Pvt) Ltd (*w.e.f. 01.01.2023*)



Keshini Jayawardena
Independent, Non-Executive Director

CHRAE BNC CHPTAC BOC BSPC BSCC BTC

Appointed as Independent, Non-Executive Director with effect from 1st October 2020

Expertise

Law, Banking

Qualifications

- BSc. (Econ) in International Relations from the London School of Economics and Political Science, UK
- Solicitor of the Supreme Court of England and Wales from the College of Law, UK

Current Appointments

Independent, Non-Executive Director
Sampath Bank PLC
Associate Consultant
Bridge Partnership, UK
The Centre for Inclusive Leadership, UK



Vinod Hirdaramani
Independent, Non-Executive Director

CHRAE BNC BOC BSPC BTC BMC

Appointed as Independent, Non-Executive Director with effect from 16th February 2021

Expertise

Business Management

Qualifications

- BA degree from the Northwestern University, USA
- Alumnus of Harvard Business School, USA

Current Appointments

Independent, Non-Executive Director
Sampath Bank PLC

Executive Director

Hirdaramani Leisure Holdings (Private) Limited
Hirdaramani Apparel Holdings (Private) Limited
Hirdaramani Investment Holdings (Private) Limited
Hirdaramani International Exports (Private) Limited
Hirdaramani (Private) Limited
Hirdaramani Power (Private) Limited
Hirdaramani Mercury Apparel (Private) Limited
HI Fashion Holdings (Private) Limited
C K T Apparel (Private) Limited
Ceylon Knit Trend (Private) Limited
Long Island Clothing Company (Private) Limited
The Island Watch Company (Private) Limited
Rosewood (Private) Limited
Zenith Insurance Brokers (Private) Limited
Union Residencies (Private) Limited
Mandalay (Private) Limited
Vinik (Private) Limited

Non-Independent, Non-Executive Director
Windforce PLC

BAC	Board Audit Committee
CHRAE	Board Human Resources & Remuneration Committee
BNC	Board Nomination Committee
BIMC	Board Integrated Risk Management Committee
CHPTAC	Board Related Party Transactions Review Committee
BOC	Board Credit Committee
BSPC	Board Strategic Planning Committee
BSCC	Board Shareholder Relations Committee
BTC	Board Treasury Committee
BMC	Board Marketing Committee
BIC	Board IT Committee
BCPC	Board Capital Planning Committee



Hiran Cabraal
Independent, Non-Executive Director

BAC BRCM CPTD BSCP BSRG BTC

Appointed as Independent, Non-Executive Director with effect from 30th June 2022

Expertise

Financial Crime Compliance, Risk Management, Investment Banking and Treasury

Qualifications

- BSc. in Economics (Agricultural and Resource Economics) University of Maryland at College Park, USA

Current Appointments

Independent, Non-Executive Director
Sampath Bank PLC

Senior Banking Consultant to
PWC Consulting (Vietnam) Limited

Managing Director
HSVC (Vietnam) Company Limited

Director
Affno Virtual Market Pte. Ltd. (Singapore and Sri Lanka)



Ajantha de Vas Gunasekara
Executive Director/Chief Financial Officer

BSPC

Appointed as Executive Director with effect from 29th October 2020

Expertise

Banking, Finance and Insurance

Qualifications

- Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA)
- Associate Member of the Association of Chartered Certified Accountants of UK (ACCA)
- Fellow Member of the Certified Management Accountants of Sri Lanka (FCMA)

Current Appointments

Executive Director/Chief Financial Officer
Sampath Bank PLC



Lasantha Senaratne
Company Secretary

Appointed as the Company Secretary with effect from 1st February 2019

Expertise

Banking, Law, Compliance

Qualifications

- Attorney-at-Law of the Supreme Court of Sri Lanka
- Senior Fellow Member of the Institute of Bankers of Sri Lanka
- Degree of Bachelor of Laws (LL.B) from University of Colombo
- Master of Laws (LL.M) from University of Colombo
- Masters of Business Administration (MBA) from University of Colombo
- International Diploma in Governance, Risk and Compliance (GRC) from University of Manchester, UK
- Associate Member of the Institute of Chartered Corporate Secretaries of Sri Lanka



Muditha Walpola
Assistant Company Secretary

Appointed as the Assistant Company Secretary with effect from 1st February 2019

Expertise

Banking, Law

Qualifications

- Attorney-at-Law of the Supreme Court of Sri Lanka
- Advance Post Attorney Diploma in Banking, Finance and Insurance Laws

CORPORATE MANAGEMENT



Nanda Fernando
Managing Director



Ayodhya Iddawela Perera
Managing Director - Designate



Ajantha de Vas Gunasekara
Executive Director/
Chief Financial Officer



Tharaka Ranwala
Senior Deputy General Manager -
Digitalisation, Deposit Mobilisation
& Marketing



Shashi Kandambi Jassim
Senior Deputy General Manager -
International Banking



Ajith Salgado
Chief Information Officer

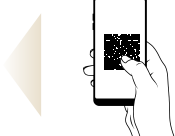


Manoj Akmeemana
Senior Deputy General Manager -
Credit Control, Credit Administration,
Recoveries & Legal

Scan this QR code to view our whole leadership team including Chief Managers and Senior Managers



www.sampath.lk



**Amal Kirihe**

Deputy General Manager -
Corporate Credit

**Sanjaya Gunawardena**

Chief Strategy Officer

**Charitha Jayawickrama**

Chief Internal Auditor

**Deepal De Silva**

Deputy General Manager -
Operations & Branch Banking

**Lalith Weragoda**

Chief Human Resource Officer

**Rajendra Ranasinghe**

Assistant General Manager -
Inward Remittance/KPO/BNO

**Prassantha De Silva**

Assistant General Manager -
Treasury

**Dulsiri Jayasinghe**

Assistant General Manager -
Special Projects & Syndications

CORPORATE MANAGEMENT



Ananda Wijitha

Assistant General Manager -
Chief Information Security Officer



Pasan Manukith

Assistant General Manager -
Information Technology



Lasantha Senaratne

Company Secretary



Senaka Hewavitharana

Chief Legal Officer



Shiran Kossinna

Assistant General Manager -
Recoveries



Kusal De Silva

Assistant General Manager -
Corporate Finance



Dushyantha Dassanayake

Assistant General Manager -
Information Technology - Systems



Chatura Rudesh

Assistant General Manager -
FCBU



Janaka Jayasuriya

Assistant General Manager -
Branch Banking

**Kumari Jayasuriya**

Assistant General Manager -
Branch Banking

**Halin Hettigoda**

Assistant General Manager -
International Banking

**Udara Suraweera**

Assistant General Manager -
Operations

**Kasun Ratnayake**

Chief Risk Officer

**Darshin Pathinayake**

Assistant General Manager -
Card Centre

**Thushara Jayathunga**

Assistant General Manager -
Information Technology -
Electronic Data Processing

**Asanka Liyanage**

Assistant General Manager -
Internal Audit

**Sachithri Fernando**

Assistant General Manager -
Planning

**Gayani Jinadasa**

Assistant General Manager -
Finance

BOARD AUDIT COMMITTEE REPORT

GRI 2-24



Dilip de S Wijeyeratne
Chairman

"Being a main pillar of Sampath Bank's Corporate Governance framework, the Board Audit Committee continued with efforts to strengthen the Bank's internal control environment."

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role, functions and the composition of the Committee are defined by the provisions of the:

- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (the Direction),
- Section 7.10 of Listing Rules of the Colombo Stock Exchange (the "CSE Rules"),
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMMITTEE MEMBERSHIP DURING THE YEAR 2022

Board Member	Directorship Status	Membership Status	Attendance (Attended/Eligible to Attend)
Mr Dilip de S Wijeyeratne	Independent/Non-Executive	Chairman	14/14
Dr Sanjiva Weerawarana	Independent/Non-Executive	Member	13/14
Mr Vinod Hirdaramani (for the period of 06.05.2022 - 01.08.2022)	Independent/Non-Executive	Member	3/3
Mr Hiran Cabraal (w.e.f. 01.08.2022)	Independent/Non-Executive	Member	8/8
Mr Deshal de Mel (Until 06.05.2022)	Independent/Non-Executive	Member	4/4

Refer pages 182 to 185 for the profiles of the Committee members.

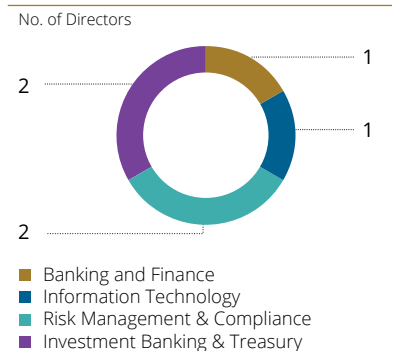
Regular attendees to the Committee meetings by invitation:



* The Company Secretary functioned as the Secretary to the Committee and in his absence, a nominee appointed by the Company Secretary or CIA functioned as the Secretary to the Committee during the year under review.

- Managing Director
- Executive Director/Chief Financial Officer
- Chief Internal Auditor (CIA)
- External Auditors
- Consultant to the Committee - Mrs Ranjani Joseph, Partner KPMG
- Members of Senior Management on need basis

Diversity of Expertise



* an individual Director may represent more than one discipline

KEY ACHIEVEMENTS FOR 2022

During the year 2022, the country witnessed an unprecedented confluence of challenges owing to the economic crisis, political instability, fuel and energy shortages and the depletion of foreign exchange reserves. Given the severity of these challenges and their adverse impact on businesses and individuals, the CBSL proceeded to offer

concessions to affected borrowers including a further extension of the debt moratorium.

Being a main pillar of the Bank's corporate governance framework, the Board Audit Committee continued with efforts to strengthen the internal control environment to support the

achievement of the Bank's strategic objectives under the prevailing circumstances.

Over the years, the Committee has systematically increased its focus on cyber security controls in light of increasing cyber threats due to high volume of tech-based transactions.

• KEY ACHIEVEMENTS FOR 2022 •

Financial Reporting

As part of its responsibility to oversee the Bank's financial reporting process on behalf of the Board of Directors, the Committee reviewed and discussed with the Management, the Consultant to the Board Audit Committee and the External Auditors, the Quarterly and the Annual Financial Statements of the Bank, prior to their release. The review considered several factors including the quality, appropriateness and acceptability of current accounting policies and practices, along with the clarity of existing disclosures and the extent of compliance with financial reporting standards, such as that specified under the Companies Act No. 7 of 2007, the Banking Act No. 30 of 1988 and any other relevant financial and governance reporting requirements. In particular, the Committee reviewed the extent to which the Bank complies with the CBSL Directives No. 13 of 2021 and No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities & Other Financial Assets in Licensed Banks, that came into effect from 1st January 2022. To facilitate the review, the Committee considered reports submitted by the Executive Director/Chief Financial Officer as well as reports from the Internal and External Auditors on their audit findings.

As described above, the Committee also assessed the uncertainties and the resultant implications thereon, cascading from the prolonged economic impact of COVID-19 as well as prevailing macro-economic challenges and their collective impact on Sampath Bank's financial reporting process. Accordingly, the Committee reviewed the key assumptions used for the 'expected credit loss' impairment computations as at the end of each quarter, prior to the publication of the Quarterly Financial Statements. In doing so, the Committee

considered the outcome of various stress testing techniques used when building the management overlay against the Bank's lending portfolio and assessing the adequacy of disclosures made by the management.

External Auditors

The Committee reviewed and monitored the independence and objectivity of the External Auditors and also assessed the effectiveness of their audit process considering the relevant professional and regulatory requirements. To ensure that the Auditors had the independence to discuss and express their opinions on any matter, they were granted a further opportunity to meet the Audit Committee separately, without the presence of any Executive Directors.

The Committee discussed with the External Auditors on their audit plan, scope and the methodology they propose to adopt in conducting the annual audit, prior to commencement of the audit for financial year 2022. There was no limitation of scope and the Management has fully provided all information and explanations requested by the Auditors.

The Committee ensured that the engagement of the Audit Partner does not exceed five years and that the particular Audit Partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.

The Committee has recommended to the Board that Messrs Ernst and Young, Chartered Accountants, be re-appointed for the financial year ending 31st December 2023, subject to the approval of shareholders at the 37th Annual General Meeting.

The Letter of Representation issued to the External Auditors by the management was also reviewed by the Committee.

Financial Statements were reviewed with the External Auditor, who is responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards. The Committee also met the Auditors to review the Management Letter with the responses from the Management.

The Committee conducted its annual review of the non-audit services policy in order to ensure that the independence and objectivity have not been impaired by providing such non-audit services. The non-audit services policy is a Board approved policy that sets out guidelines for the engagement of external auditors for non-audit services in line with regulatory requirements and the Committee makes recommendations to the Board of Directors in respect of this Policy.

Internal Control Over Financial Reporting (ICOFR)

The Bank is required to comply with Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 and assess the effectiveness of Internal Control Over Financial Reporting. The Committee assessed the effectiveness of the Bank's system of Internal Control Over Financial Reporting as of 31st December 2022 based on the criteria set out in the Guidance for Directors of Banks under "The Directors' Statement of Internal Control", issued by the CA Sri Lanka in 2010.

The Internal Controls Over Financial Reporting Steering Committee comprising the Chief Internal Auditor (Chairperson), Executive Director/Chief Financial Officer, Chief Risk Officer, Chief

BOARD AUDIT COMMITTEE REPORT

• KEY ACHIEVEMENTS FOR 2022 •

Information Security Officer and Chief Compliance Officer assisted the Internal Audit Department in conducting its evaluations on the Internal Control Over Financial Reporting and Management Information Systems. In this regard, assessments were carried out by the Internal Audit Department to determine if documented procedures were being followed by the respective process owners and to ensure the design effectiveness and the operating effectiveness of the Internal Controls and the Management Information Systems and as well as to identify areas for improvements on an ongoing basis. Additionally, more emphasis was given to understanding changes to the control environment in light of the ongoing external challenges.

Based on the assessments carried out by the Internal Auditors and External Auditors, the Board has concluded that, as of 31st December 2022, the Bank's system of Internal Control Over Financial Reporting is effective. The Directors' Statement on the Bank's Internal Control Over Financial Reporting is provided on pages 232 and 233.

The Bank's External Auditors have assessed the effectiveness of the existing system of Internal Control Over Financial Reporting and have provided assurance report to the Board that nothing has come to their attention that causes them to believe that financial reporting was inconsistent with their understanding of the processes adopted by the Board for reviewing the design and effectiveness of the internal control system of the Bank. The External Auditors' Assurance Report on the Bank's systems of Internal Control Over Financial Reporting is provided on page 234.

Internal Audit

During the year, the Board Audit Committee continued to fulfil its mandate to monitor and review the scope, extent and effectiveness of the activities of the Bank's Internal Audit Department, including review of the progress made on Audit activities and achievements against the Bank's Audit Plan. The Committee reviewed the Internal Audit Plan and monitored its implementation through regular communication with the Chief Internal Auditor.

The Committee reviewed all major findings revealed through audit investigations and potential fraud monitoring activities carried out during the year.

With new remote work systems applied during the year in response to the ongoing challenges in the country, greater focus was assigned to ensure robust controls are in place to protect data and maintain customer privacy, and confidentiality.

The Committee also reviewed the resource requirements of the Internal Audit Department. The performance evaluation of the Chief Internal Auditor and the senior staff members of the Internal Audit Department for the year 2022 will be carried out by the Committee during the first quarter of 2023.

Annual Corporate Governance Report

As required by Section 3(8)(ii)(g) of the Banking Act Direction No. 11 of 2007, on Corporate Governance for Licensed Commercial Banks issued by the Central

Bank of Sri Lanka, the Annual Corporate Governance Report for 2022 is provided on pages 432 to 446. The External Auditors of the Bank have performed procedures set out in Sri Lanka Related Services Practice Statement 4750 issued by the CA Sri Lanka (SLRSPS 4750), to meet the compliance requirement of the said Corporate Governance direction. Their findings presented in their report dated 17th February 2023 addressed to the Board, are consistent with the matters disclosed above and no inconsistencies have been identified in this regard.

Whistleblowing

The Bank's Whistleblowing Policy continued to be implemented as a component of the Corporate Fraud Risk Management Framework. The Policy allows any team member who has a legitimate concern on an existing or potential "wrong doing" by any person within the Bank to come forward voluntarily and bring such concern to the notice of the Chairman of the Board Audit Committee either through the Company Secretary or Chief Internal Auditor. Concerns raised are investigated as per the standard procedure and the identity of the person raising the concern is kept confidential. The Whistleblowing Policy was reviewed by the Committee during the year 2022 with recommendations made to further strengthen the policy as a communication channel to raise any genuine concerns.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Reviewing financial information and monitoring the integrity of the financial statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure, prior to submission to the Board and ensure compliance with statutory provisions, accounting standards and accounting policies.
- Reporting to the Board on the quality, appropriateness and acceptability of the Bank's accounting policies and practices.
- Assessing the reasonableness of the underlying assumptions based on which estimates and judgments are made when preparing the financial statements.
- Overseeing the Internal Audit function and reviewing of audit reports to ensure that appropriate actions are taken by the Management to implement the recommendations made by the Internal Auditors.
- Assessing the independence and reviewing the adequacy of the scope, functions and resources of the Internal Audit Department, including the appointment of the Chief Internal Auditor and the performance of the Head and senior staff members of the Internal Audit Department.
- Overseeing the appointment, compensation, resignation and dismissal of the External Auditors, including review of the External Audit function, its cost and effectiveness and monitoring of the External Auditors' independence and/or objectivity.
- Reviewing the adequacy and effectiveness of the Internal Controls, Risk Management and ensure compliance with Corporate Governance and regulatory requirements.
- Reviewing the Terms of Reference (TOR) of the Committee periodically and ensuring that it reflects the best practices of the industry at all times.

REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at Board meetings thereby providing Board members with access to the deliberations of the Committee.

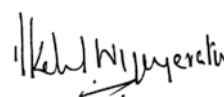
PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice from time to time on matters within its purview. During the year, several consultations were sought with various professionals, on matters under the Committee's purview.

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the Committee was conducted at year-end by the members of the Committee with the evaluation indicating that its performance was effective.

On behalf of the Board Audit Committee,


DILIP DE S WIJEYERATNE

Chairman - Board Audit Committee

17th February 2023
Colombo, Sri Lanka

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

► GRI 2-19,20,24



Aroshi Nanayakkara

Chairperson

"During the year under review, BHRRC's focus was more insular – that of supporting team Sampath navigate a highly volatile economic landscape - while at the same time taking bold steps to lay the foundation for future growth of its people."

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role, functions and the composition of the Committee are defined by the provisions of the:

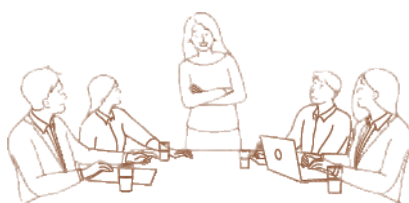
- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (the Direction),
- Section 7.10 of Listing Rules of the Colombo Stock Exchange (the "CSE Rules"),
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMMITTEE MEMBERSHIP DURING THE YEAR 2022

Board Member	Directorship Status	Membership Status	Attendance (Attended/Eligible to Attend)
Ms Aroshi Nanayakkara	Independent/Non-Executive	Chairperson	7/7
Mr Dilip de S Wijeyeratne	Independent/Non-Executive	Member	6/7
Mr Vajira Kulatilaka	Independent/Non-Executive	Member	7/7
Mr Vinod Hirdaramani	Independent/Non-Executive	Member	6/7
Mrs Keshini Jayawardena (w.e.f. 01.08.2022)	Independent/Non-Executive	Member	2/2
Mr Deshal de Mel (Until 06.05.2022)	Independent/Non-Executive	Member	2/2

Refer pages 182 to 185 for the profiles of the Committee members.

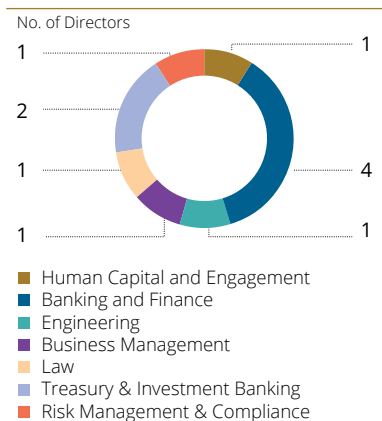
Regular attendees to the Committee meetings by invitation:



- Managing Director
- Chief Human Resource Officer
- Chief Manager - Human Resources

* The Company Secretary functioned as the Secretary to the Committee and in his absence, a nominee appointed by the Company Secretary functioned as the Secretary to the Committee during the year under review.

Diversity of Expertise



* an individual Director may represent more than one discipline

KEY ACHIEVEMENTS FOR 2022

The Bank engaged a globally recognised consultancy firm to conduct an HR diagnostic study in order to ensure the HR operations, policies, and processes are on par with global standards. Based on the recommendations given by the consultants, action plans were developed to enhance the status of the respective areas under the direction of the BHRRC.

To further strengthen the performance-based work culture of the Bank, the Committee approved the rollout of a new Performance Management System linked with a robust Performance Based Bonus Scheme with the consultation of a recognised international consultancy firm.

The Key Performance Indicators of the MD and Key Management Personnel were agreed at the beginning of the financial year in line with the Bank's Strategic Plan and their performance assessed at the end of the year. Based on this, remuneration and salary structures were reviewed and finalised.

• KEY ACHIEVEMENTS FOR 2022 •

The Human Resources related policies and procedures as well as strategic HR initiatives were reviewed with the objective of enhancing the team's capabilities, compliance and engagement.

The Committee also kept abreast of the dynamic changes that continued to unfold during the year in order to respond to the challenges posed by the COVID-19 pandemic and the economic crisis. A host of benefits were offered to team members during these difficult times, first to tide over the pandemic and then to manage the economic hardships encountered. These included health related activities, novel work from home options, home

gardening, a special bus service as well as cycling to work.

The succession planning process was further streamlined with the direction of the Committee to identify the second and third tier of leaders among the Bank's executive cadre.

The implementation of the new HRIS system was closely monitored in order to ensure roll out completion on agreed dates as well as smooth transitioning to the new system.

Initiating Bank-wide programmes to motivate and recognise female employees

and providing special Leadership Training at different levels of management have been noteworthy endeavours this year to enhance the female leadership pipeline for the Bank. In this effort of giving due recognition to female role models, the circle of activities were expanded even to include the customers of the Bank where special events were held during the International Women's month of March.

In recognition of 25+ years of service of team members, the Committee authorised the 25 Years' Service Awards 2021, with the annual award ceremony being conducted to recognise the long-standing service of team members.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Formulating remuneration policies relating to Directors, CEO/MD and Key Management Personnel (KMP) and submitting the same for the approval of the Board.
- Identifying goals and targets for the Directors, CEO/MD and Key Management Personnel and submitting the same for the approval of the Board.
- Evaluating the performance of the CEO/MD and Key Management Personnel against set targets and goals periodically and submitting the same to the Board, together with recommendations for the revision of remuneration, benefits and other performance-based incentives.
- Recommending to the Board such amendments to its scope as may, in its view be desired, to achieve better corporate governance objectives.
- Advising the KMP heading the Human Resources Department of the Bank with regard to revision of salaries of Bank staff and any major organisational changes needed for the Bank's purpose.

- Recommending and keeping under review, the Human Resources Strategy including key HR Objectives, Plans and workforce requirements in line with the overall annual/medium-term strategic objectives of the Bank and monitoring implementation of the same.
- Reviewing, commenting and reporting to the Board on HR related matters including development plans, talent retention and career development of potential successors.
- Monitoring and making all necessary recommendations to the Board on ethical standards with regard to human capital and ensuring that the management has institutionalised a process to ensure compliance with these standards.
- Keeping the provisions of the Bank's Pension Plan under review.
- Assessing the performance of the Committee based on the requirements.
- Reviewing the Terms of Reference (TOR) of the Committee periodically and ensuring that it reflects the best practices of the industry at all times.

REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at Board meetings, thereby providing the Board members with access to the deliberations of the Committee.

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the Committee was conducted at year-end by the members of the Committee with the evaluation indicating that its performance was effective.

On behalf of the Board Human Resources and Remuneration Committee,



AROSHI NANAYAKKARA

Chairperson - Board Human Resources and Remuneration Committee

17th February 2023
Colombo, Sri Lanka

BOARD NOMINATION COMMITTEE REPORT

► GRI 2-10,24



Dilip de S Wijeyeratne
Chairman

"In order to ensure the required balance of skills, knowledge, experience and independence is in place for Board of Directors and Committees, four BHRRC Committee members from diverse business backgrounds were appointed to represent the BNC".

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role, functions and the composition of the Committee are defined by the provisions of the:

- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (the Direction),
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

COMMITTEE MEMBERSHIP DURING THE YEAR 2022

Board Member	Directorship Status	Membership Status	Attendance (Attended/Eligible to Attend)
Mr Dilip de S Wijeyeratne	Independent/Non-Executive	Chairman (w.e.f. 06.05.2022)	7/7
Mr Rushanka Silva	Non-Independent/Non-Executive	Member	7/7
Mr Harsha Amarasekera	Non-Independent/Non-Executive	Member	7/7
Mrs Keshini Jayawardena	Independent/Non-Executive	Member	7/7
Mr Vinod Hirdaramani (w.e.f. 06.05.2022)	Independent/Non-Executive	Member	4/4
Ms Aroshi Nanayakkara (w.e.f. 01.08.2022)	Independent/Non-Executive	Member	2/2
Mr Deshal de Mel (Until on 06.05.2022)	Independent/Non-Executive	Chairman	3/3

Refer pages 182 to 185 for the profiles of the Committee members.

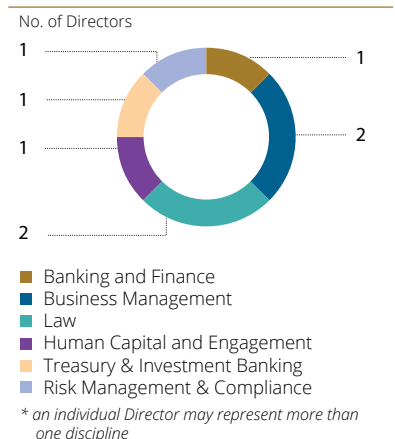
Regular attendees to the Committee meetings by invitation:



- Managing Director
(invited when required)

* The Company Secretary functioned as the Secretary to the Committee and in his absence, a nominee appointed by the Company Secretary functioned as the Secretary to the Committee during the year under review.

Diversity of Expertise



KEY ACHIEVEMENTS FOR 2022

Mr Hiran Cabraal, a seasoned banker with a rich and diverse experience and international record of accomplishment in leadership roles, was appointed to the Sampath Bank Board on the recommendation of Board Nomination Committee to fill the casual vacancy on the Board.

Reviewed the structure, skills and the composition of the Board and its Committees on an ongoing basis and made recommendations to the Board as appropriate.

Identified the required skill gaps at Board level and recommended suitable candidates to fill such vacancies.

Reviewed the Re-designation of Officers holding Group positions and responsibilities.

• KEY ACHIEVEMENTS FOR 2022 •

Succession Planning

- Reviewed the succession for Key Management Personnel and Directors.
- Assessed the adequacy of the expertise available at Corporate Management level.
- Specifically discussed Succession Plans for critical positions of the Bank and reviewed potential candidates for the roles.

Training

- As per the recommendations of the Committee, a comprehensive training programme was arranged in coordination with an industry expert specifically for Non-Executive Directors, while the induction programme for newly appointed Directors was also further enhanced.

- Review the Terms of Reference (TOR) of the Committee periodically, to ensure that it reflects industry best practices at all times.

REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at Board meetings, thereby providing Board members with access to the deliberations of the Committee.

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the Committee was conducted at year-end by the members of the Committee with the evaluation indicating that its performance was effective.

On behalf of the Board Nomination Committee,


DILIP DE S WIJEYERATNE

Chairman - Board Nomination Committee

17th February 2023

Colombo, Sri Lanka

KEY RESPONSIBILITIES OF THE COMMITTEE

- Implement a procedure to select/appoint new Directors, CEO/MD and Key Management Personnel.
- Consider and recommend the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.
- To ensure an updated procedure is in place for the selection, appointment and re-election of Directors to the Board with due consideration to their fitness and propriety and ensuring their qualifications, competencies and independency are in line with the statutory provisions.
- Set the eligibility criteria including qualifications, experience and key attributes required to be considered for appointment or promotion for the positions of MD and the Key Management Personnel.
- Ensuring that Directors, MD and Key Management Personnel are fit and proper persons to hold office as per the criteria specified under Statutory and Regulatory requirements.
- Consider and recommend the requirements of additional expertise and the succession arrangements for retiring Directors and Key Management Personnel from time to time.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

GRI 2-24



Hiran Cabraal
Chairman

"With a rich and diverse experience and a proven international track record in leadership roles, newly appointed Chairman of the BIRMC brings with him a wealth of strategic risk management experience".

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role, functions and the composition of the Committee are defined by the provisions of the:

- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (the Direction),
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMMITTEE MEMBERSHIP DURING THE YEAR 2022

Board Member	Directorship Status	Membership Status	Attendance (Attended/Eligible to Attend)
Mr Hiran Cabraal (w.e.f. 01.08.2022)	Independent/Non-Executive	Chairman	4/4
Mr Dilip de S Wijeyeratne	Independent/Non-Executive	Member	6/7
Dr Sanjiva Weerawarana	Independent/Non-Executive	Member	5/7
Ms Aroshi Nanayakkara (w.e.f. 01.08.2022)	Independent/Non-Executive	Member	4/4
Mr Nanda Fernando	Executive	Member	7/7
Mr Deshal de Mel (Untill on 06.05.2022)	Independent/Non-Executive	Chairman	2/2
Mrs Keshini Jayawardena (For the period of 06.05.2022 to 01.08.2022)	Independent/Non-Executive	Invitee	1/1
Mr Vinod Hirdaramani (For the period of 06.05.2022 to 01.08.2022)	Independent/Non-Executive	Chairman	1/1

Refer pages 182 to 185 for the profiles of the Committee members.

Management Representatives:

Mr Kasun Ratnayake - Chief Risk Officer

Mr Sudharshana Jayasekera - Chief Compliance Officer

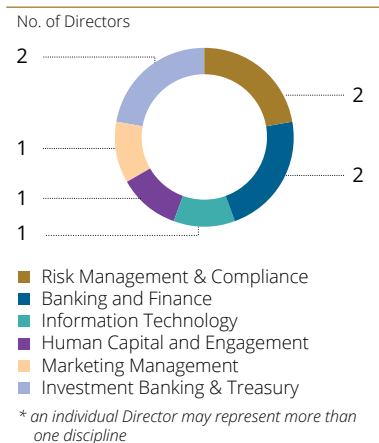
Regular attendees to the Committee meetings by invitation:



- Chief Information Security Officer
- Management Representatives in charge of Credit, Market, Liquidity, Operational and Strategic Risks

* The Company Secretary functioned as the Secretary to the Committee and in his absence, a nominee appointed by the Company Secretary functioned as the Secretary to the Committee during the year under review.

Diversity of Expertise



• KEY ACHIEVEMENTS FOR 2022 •

The Committee discharged its responsibilities in compliance with its Terms of Reference (TOR). Accordingly, the Committee received regular reports on the Bank's performance against the established Risk Appetite Limits and Key Risk Indicators (KRI) from the Risk Management Department and Key Performance Indicators (KPIs) from the Compliance Department. The reports and the relevant background information have been reviewed in depth and necessary risk mitigation measures have been initiated where necessary, in order to maintain the Bank's exposure to risk at prudent level and to facilitate compliance with regulatory requirements, while enabling the achievement of sound business results.

- The Bank's overall risk management scope was further strengthened by amending the Credit Risk Management Policy and the Post Credit Risk Management Procedure as well as upgrading of the Stage of impairment relating to restructured and rescheduled facilities of the Bank in line with the Banking Act Direction No. 13 of 2021.
 - Various actions were taken to promote the Bank-wide risk culture through the risk magazine, training and knowledge sharing sessions.
 - Strengthening the borrower watch-listing process under current economic crisis.
 - In-depth analysis of industries under current economic context with new sectors added to the existing risk elevated industries.
 - Enhanced the criteria for sample selection of 'Loan Review Summaries'.
- Conducted in-depth analysis to determine highly stressed sectors affected by adverse economic conditions and advise the lending units to remain vigilant at the time of taking credit decisions.
 - Special worst-case scenario stress tests were performed to gauge the impact of economic turmoil.
 - Introduced new market risk limit monitoring initiatives to strengthen the process. Introduction of Internal Limit Monitoring/Deleted Deal Analysis and Reporting/Enhancement of daily SLAR reporting.
 - The Bank's Credit, Operational and Market Risk Appetite limits were reviewed.
 - Special analysis on FX Net Open Position enhancements and its effects.
 - Reviewing the appropriateness of Mark-to-Market (MTM) loss limits applicable for the trading portfolio vis-à-vis changing market conditions and approving new limits, including temporary dispensation limits for MTM losses for the trading portfolio.
 - Reviewing the Liquidity contingency funding plan giving due consideration to the stressed market conditions and more frequent analyses of status of LCR and High Quality Liquid assets.
 - Monitoring the expiry and reviewing of Service Level Agreements (SLA) along with content and conditions suitable to the present situation.
 - Create customer awareness on cyber-attacks and IT risks.
 - Testing the efficacy of the Business Continuity Plan (BCP) along with business impact analysis to ensure resilience in stressed situations. Reviewing of BCP and conducting of timely BCP drills to assess the situation and vulnerabilities.
- Formulated the Recovery Plan of the Bank in accordance with the Banking Act Direction No. 09 of 2021.
 - Reviewed all risk related existing policies.
 - Carrying out Gap analyses on Technology Risk Management and Resilience in line with the Banking Act Direction No. 16 of 2021 and ensuring necessary arrangements are put in place to bridge the gap within the stipulated time.
 - The Risk and Control Self-Assessment (RCSA) process was reviewed and further expanded.
 - Established new KRIs for Information Security and introduced a new limit framework for operational risk related KRIs.
 - Enhanced the scope and functional responsibilities of the IT risk management unit as per the CBSL new regulatory framework.
 - Independent evaluation of the existing AML (Anti-Money Laundering) system using industry expertise to obtain assurance regarding the adequacy of the system to respond to emerging risks, legislative and regulatory changes.
 - Commenced development work on the goAML system in compliance with the regulator recommendations.
 - Actions to mitigate enhanced Cyber Security Risk due to the increased adoption of Digital Channels including regular review of the objectives and work assignments of the Chief Information Security Officer. The actions taken by the Information Security Department was also discussed at the BIRMC.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

KEY RESPONSIBILITIES OF THE COMMITTEE

- Assessing all risks faced by the Bank including Credit, Market, Liquidity, Operational and Strategic Risks on a monthly basis through appropriate risk indicators and management information including updated Business Continuity Plans.
- Reviewing the adequacy and effectiveness of all Management level committees such as the Credit Policy, Risk and Portfolio Review Committee, Asset and Liability Management Committee (ALCO) and the Risk and Compliance Committee, in order to ensure specific risks are managed within quantitative and qualitative risk limits as specified by the Committee.
- Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond prudent levels decided by the Committee, based on the Bank's policies and regulatory, supervisory requirements, economic and market conditions.
- Referring to Bank's Disciplinary Committee regarding the officers responsible for failure to identify specific risks and recommend to take prompt corrective measures against such officers.
- Establishing a compliance function and appointing a dedicated Compliance Officer selected from Key Management Personnel who periodically assesses the Bank's compliance with the laws, regulations, regulatory guidelines, internal controls and approved policies on areas of business operations and functionally reports to the Committee on these matters.
- Ensuring the existence of clear and independent reporting lines, adequate tools, systems and resources for the successful management of risk and compliance functions within the Bank.
- Reviewing and approving all policies and public disclosures made under CBSL directives related to Risk Management, while recommending the same for Board approval.
- Periodically reviewing the Bank's risk exposures while setting-up risk appetite/tolerance limits to support the Bank's objectives, business strategies and risk appetite, economic and market conditions.
- Reviewing and formulating the strategy and methodology for the allocation of risk/economic capital, including Internal Capital Adequacy Assessment Process (ICAAP) and recommending the same for Board approval.
- Engaging with external and independent reviewers for validation of risk measurement methodologies and outputs as and when required.
- Monitoring controls relating to "Information Security" and reviewing the progress of the "Information Security Committee" (ISC) on a quarterly basis.
- Set-up risk appetite/tolerance of the Bank at enterprise and strategic business unit levels.
- Maintain continued awareness of any changes in the Bank's risk profile.
- Ensure that there is clear and independent reporting lines, responsibilities for the overall business activities and risk management functions.
- Cultivate a pro-active risk management culture within the Bank.
- Submit a report on high priority risks to the Main Board on a monthly basis.
- Review the Terms of Reference (TOR) of the Committee periodically, to ensure that it reflects industry best practices at all times.

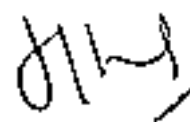
REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at Board meetings thereby providing the Board members with access to the deliberations of the Committee. The risk assessments were typically submitted to the Board within an adequate time period from each Board Integrated Risk Management Committee meeting.

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the Committee was conducted at year-end by the members of the Committee with the evaluation indicating that its performance was effective.

On behalf of the Board Integrated Risk Management Committee,



HIRAN CABRAAL

Chairman - Board Integrated Risk Management Committee

17th February 2023

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

GRI 2-15,24



Vajira Kulatilaka
Chairman

"The Committee enhanced with a rich and diverse experience by the appointment of Independent, Non-Executive Director who brings with him a wealth of strategic risk management experience."

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role, functions and the composition of the Committee are defined by the provisions of the:

- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (the Direction),
- Code of Best Practices issued by the Securities and Exchange Commission of Sri Lanka (the "SEC Code"),
- Section 9 of Listing Rules of the Colombo Stock Exchange (the "CSE Rules"),
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMMITTEE MEMBERSHIP DURING THE YEAR 2022

Board Member	Directorship Status	Membership Status	Attendance (Attended/ Eligible to Attend)
Mr Vajira Kulatilaka	Independent/Non-Executive	Chairman	4/4
Dr Sanjiva Weerawarana	Independent/Non-Executive	Member	2/4
Mrs Keshini Jayawardena (w.e.f. 01.08.2022)	Independent/Non-Executive	Member	1/2
Mr Hiran Cabraal (w.e.f. 01.08.2022)	Independent/Non-Executive	Member	2/2
Mr Dilip de S Wijeyeratne (Until 01.08.2022)	Independent/Non-Executive	Member	2/2
Mr Deshal de Mel (Until 06.05.2022)	Independent/Non-Executive	Member	1/1

Refer pages 182 to 185 for the profiles of the Committee members.

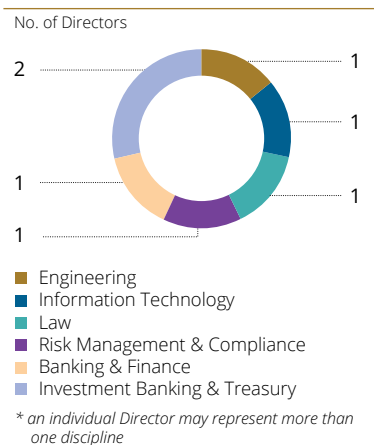
Regular attendees to the Committee meetings by invitation:



- Managing Director
- Executive Director/Chief Financial Officer
- Chief Compliance Officer

* The Company Secretary functioned as the Secretary to the Committee and in his absence, a nominee appointed by the Company Secretary functioned as the Secretary to the Committee during the year under review.

Diversity of Expertise



KEY ACHIEVEMENTS FOR 2022

The Committee was strengthened by the appointment of Mr Hiran Cabraal, Independent/Non-Executive Director in view of the resignation of Mr Deshal de Mel, Independent/Non-Executive Director, during the year 2022.

The Committee undertook to further strengthen the existing internal procedure for handling of Related Party Transactions (RPT) by improving the dissemination of information to all relevant stakeholders and obtaining their acknowledgements that they have

read and understood the applicable regulatory requirements relating to identifying, capturing and reporting of RPT. To further complement these efforts, the process of capturing Related Parties of the Bank was also further enhanced.

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

• KEY ACHIEVEMENTS FOR 2022 •

A summary report was submitted at the monthly Board Meeting monthly, disclosing all Related Party Transactions reviewed by the Committee during the month.

In discharging the aforementioned responsibilities, the Committee relies on the integrity of periodically reportable Related Party Transactions data sourced via,

- A comprehensive list of Related Parties based on latest available declarations signed by the responsible Directors/KMPs.
- Related Party Transactions confirmed by the Business Heads to the Committee through the Company Secretary.

Further, the Committee continued to provide oversight for improving training and awareness among the Bank's staff regarding Related Party Transactions. A series of training programmes were conducted across various departments/business units.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Ensure that the transactions with Related Parties are identified by the respective authorities of the Bank and assure that the Bank does not engage in such transactions in a manner that would grant a "More Favourable Treatment" than that accorded to other constituents of the Bank carrying on the same business.
- Taking all necessary steps to avoid any conflicts of interest that may arise from any transaction conducted by the Bank with any category deemed as "Related Parties" in line with the regulatory requirements.
- Ensuring that the Bank shall not grant accommodation to any of the Directors or to a close relation of such Director or to a concern in which any Director of the Bank has a substantial interest, unless the accommodation is sanctioned at a meeting of its Board of Directors with not less than two-third of the number of Directors constituting the Board (Directors other than the Director concerned) voting in favour of such accommodation.
- Ensure that the Bank does not engage in transactions with related parties in a manner that would grant such parties a "More Favourable Treatment" than that accorded to other constituents of the Bank carrying on the same business.

- Ensure that appropriate mechanisms are in place to obtain declarations from all Directors at the time of joining the Board and annually thereafter, as well as for informing the Company Secretary - the primary contact point for Directors to disclose any existing or potential RPT carried out by them or their Close Family Members and in such instances obtaining further declarations on a quarterly basis.
- Reviewing the processes and the procedures in place to obtain confirmations on any new appointments accepted by Directors of the Bank in other entities as KMP, informing the Company Secretary to identify and capture such transactions carried out by the Bank with such entities which need to be disclosed under 'Directors Interests in Contracts with the Bank' as disclosed in the page 231 of this Annual Report.
- Ensure that there is an adequately effective and efficient system in place to capture information which is relevant to its review function.
- Obtain professional and expert advice from qualified persons, where such advice is necessary for the performance of the review function.

- Review the Terms of Reference (TOR) of the Committee periodically, to ensure that it reflects industry best practices at all times.

REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at Board meetings thereby providing Board members with access to the deliberations of the Committee.

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the Committee was conducted at year end by the members of the Committee with the evaluation indicating that its performance was effective.

On behalf of the Board Related Party Transactions Review Committee,



VAJIRA KULATILAKA

Chairman - Board Related Party Transactions Review Committee

17th February 2023
Colombo, Sri Lanka

COMPLIANCE REPORT

► GRI 2-24,27

Compliance plays a key role in safeguarding the credibility and reputation of any organisation, and much more so for a leading bank. The Sampath Bank Board is the ultimate oversight authority in charge of compliance related matters, and achieving compliance leadership across all aspects of the business operations remains one of the foremost Board priorities.

Under the direction of the Board, the Bank's independent Compliance Function works to ensure full compliance with all legislation applicable to licensed commercial banks in Sri Lanka and any other relevant regulations as well as industry best practices. The Compliance Function supports the effective maintenance of the Bank's governance structure through its role as the second line of defense. Additionally, the Compliance function is further responsible for providing training and raising awareness to imbue a Bank-wide compliance culture.

Key Highlights for 2022

Regulatory Interaction and Coordination

The Compliance function facilitated the routine statutory examinations by CBSL, which commenced in mid-2022. In addition, steps were also taken to implement the recommendations made by the CBSL in their 2021 examination reports.

Compliance Training

Compliance training activities in the current year were focused mainly on ensuring team members were made aware of the latest developments in AML (Anti-Money Laundering) and Foreign Exchange regulations. All training sessions were conducted online with selected content compiled into a quick reference guide and uploaded to "Vidvan" - Sampath Bank's e-learning platform.



Policies, Procedures and Related Controls

The annual review to determine the efficacy of the Bank's policies, procedures and internal controls was completed within the course of the year, with recommendations for improvements forwarded to the Board for their consideration.

Reporting and Communication

With several new regulatory directives issued during the course of the year, the Compliance Department was actively involved in liaising with regulatory authorities to understand these new developments and disseminate information to enable its application in the Bank's operations. Accordingly, the new procedural changes were implemented based on the recommendations of the Compliance Department.

Compliance Monitoring and Testing

All scheduled compliance risk assessments were carried out during the year to determine if business units were adhering to applicable regulations, while random spot checks were done to assess their compliance with internal policies and procedures. The quarterly reporting

mechanism is in place to provide compliance risk assessment information and other compliance updates to the Board Integrated Risk Management Committee (BIRMC) and the Board of Directors.

Risk Assessment Programme

In line with the Bank's Policy on Risk Based Approach (RBA), compliance risk assessments were conducted focusing Branches, Departments, Products, Statutory Returns and Subsidiaries.

Findings of the RBA process were communicated to the relevant Branches/ Departments/Product Owners to determine the scope and scale of necessary corrective action to be implemented.

Compliance Technology

The Compliance Department in coordination with the relevant internal stakeholders, put in place the groundwork in readiness to comply with the FIU's (Financial Intelligence Unit of Sri Lanka) goAML reporting requirements expected to come into effect from 1st January 2023. As part of this process, the Bank's existing compliance reporting systems were also significantly enhanced.

RISK MANAGEMENT REPORT

► GRI 2-24



Sampath Bank has always been very disciplined in its efforts to manage risk, an approach that has enabled the Bank to consistently generate stakeholder value, protect its competitive leverage, reinforce financial stability and strengthen long term resilience.

Risk Management Approach

Sampath Bank has always been very disciplined in its efforts to manage risk, an approach that has enabled the Bank to consistently generate stakeholder value, protect its competitive leverage, reinforce financial stability and strengthen long term resilience.

With rapid changes in the political, economic and legal fronts as well as the social, environmental and technological domains emphasising the need for proactive risk management, Sampath Bank has adopted Integrated Risk Management Framework to address the actual and potential risks that have or are likely to have an impact on the Bank's operations at any given moment. The Integrated Risk Management Framework of the Bank comprises four interconnected elements:

- Risk Governance which sets out a clear functional structure for risk stewardship.
- Risk Control Architecture to articulate the essential risk control procedures to guide business units and departments to enable them to address unfavourable impacts as well as to take advantage of opportunities.
- Risk Mapping to ensure all key risks faced by the Bank are identified, measured, monitored and reported.
- Risk Awareness Culture to enable shared responsibility and promote risk accountability at all levels of the Bank.

In practice, the framework as a whole and the efficacy of each component is reviewed and updated regularly to reflect contemporary thinking, best practices and well-recognised principles for risk management.

Benchmarking Global Best Practices

Implementation of the Recovery Plan (RCP) to safeguard Bank's financial position from internal and external stress conditions

Demonstrating its commitment towards adoption of best practices in risk management, Sampath Bank moved ahead with the integration of the RCP into the Bank's risk management architecture, in compliance with the Banking Act Direction No. 09 of 2021.

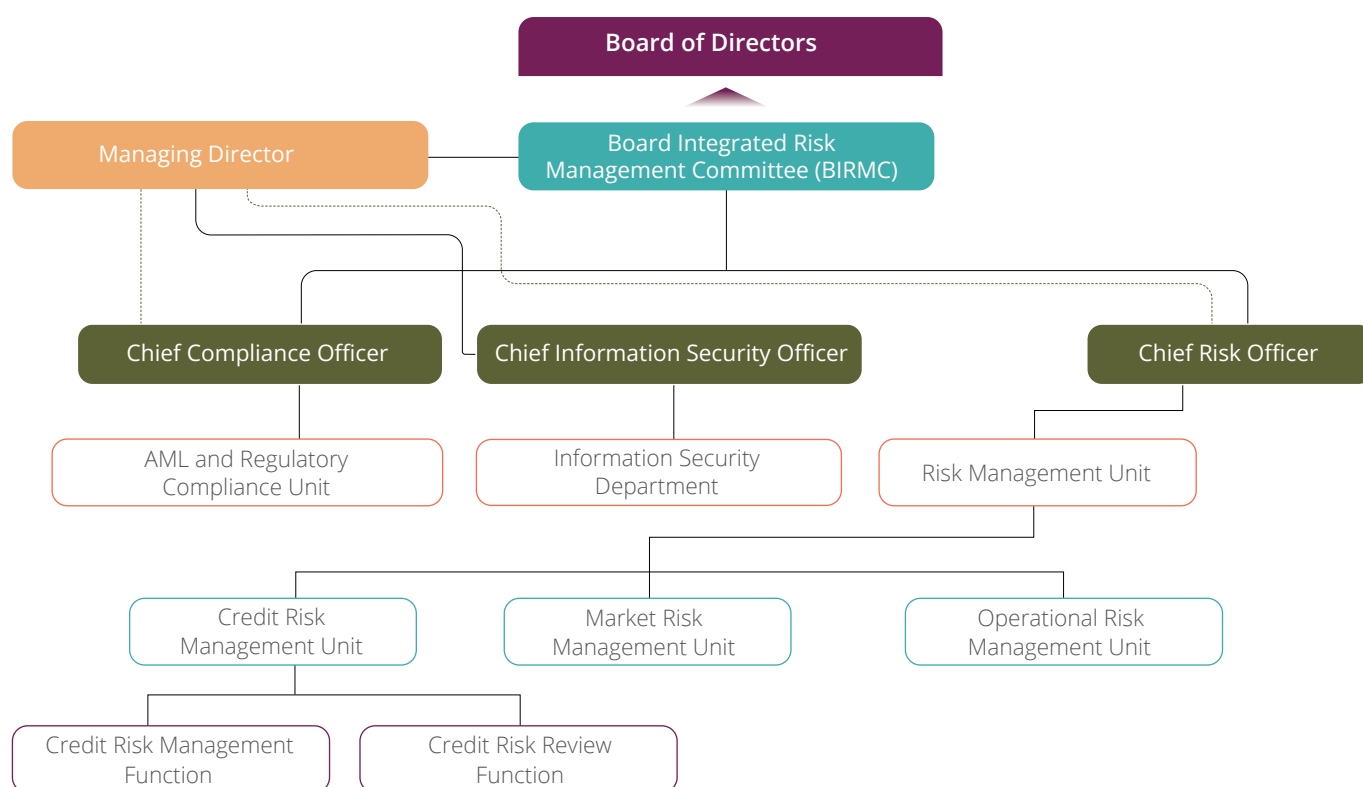
The purpose of RCP is to establish recovery options for recovery triggers associated with all key risks and establish appropriate governance and oversight mechanisms to effectively manage these triggers across the Bank's business model and operational systems. Planning, formulating, implementing, monitoring and reporting on RCP will be overseen by the newly formed RCP Working Committee.

Risk Governance

Board of Directors

The Sampath Bank Board assumes the ultimate responsibility for risk governance and in this capacity sets the Bank's risk strategy and provides ongoing supervisory oversight for its implementation. As the apex body responsible for risk governance, the Board establishes the Risk Appetite Framework of the Bank, and the general principles governing the Bank's risk strategy and target risk profile. Cascading from this, the Board approves the risk appetite limits for different types of risks and set out necessary policies and procedures to create a control framework to drive risk fundamentals at an operational level.

Functional Structure of the Integrated Risk Management Framework of the Bank



Risk Committees

Risk Governance Committees work closely with the Board and assess the effectiveness of the risk management function. They periodically review and make recommendations on risk management, internal controls framework, risk policies, and appetite limits to reflect contextual changes for different risk types. Risk Committees operate under the delegated authority of the Board to provide oversight and guidance to Corporate Management for formulation and implementation of the risk control frameworks, strengthening risk monitoring and risk reporting systems as well as for driving the Bank-wide risk awareness culture.

Please refer pages 176 to 178 for details of the Bank's Board Sub-Committees and Management Level Committees.

Three Lines of Defense

The three-lines-of-defense model provides the foundation for effective risk management and governance, with each of the three lines playing a distinctly different role across the risk value chain.

The first line of defense comprises of the business lines and the corporate functions, typically the operational management who are responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis.

The second line is represented by the Risk Management Unit (RMU) and the Compliance Department, who together are tasked with monitoring the effectiveness of the first line-of-defense. In this regard, the RMU monitors the implementation of effective risk

management practices by operational management and works with risk owners in identifying, measuring risk exposures, and reporting risk-related information to relevant risk committees. Based on these findings, the RMU makes representations to relevant risk governance committees and propose suitable actions to avoid, mitigate, transfer or accept risk.

The Compliance Department meanwhile is charged with conducting necessary due diligence to monitor compliance with legal, regulatory and other imposed requirements.

The Internal Audit Function forms the third line of defense and provides independent assurance to the Board and its Committees that the first and second lines' efforts are consistent with the expectations.

RISK MANAGEMENT REPORT

In fact, the main characteristic of third line of defense is objectivity in evaluating the effectiveness of the Bank's risk management, control, and governance processes. While the Internal Audit function does have the authority to direct or implement processes, they are often called upon to provide advice and recommendations to the Board Audit Committee regarding process improvements.

On occasion, the Board seek additional assurances and opinions from the Bank's External Auditors regarding specific risk matters.



Risk Management Responsibilities of the RMU

- **Risk Identification** - understanding of risk sources, including internal and external factors and their potential impact that could affect the Bank's strategy and risk profile.
- **Risk Measurement** - determining the severity of the risk using quantitative/qualitative metrics in conjunction with expert judgement.
- **Risk Monitoring** - continuous review, oversight and critical observation to ensure adherence with established risk parameters.
- **Risk Control and Mitigation** - developing risk mitigation actions for consideration of relevant risk committees.
- **Risk Reporting** - preparation of reports to ensure appropriate authorities including relevant risk committees and the Board are kept informed of the Bank's risk metrics.

Risk Control Architecture

Sampath Bank's Risk Control Architecture comprises Board approved constitutional framework, including risk appetite parameters and related tolerance limits, policies and other risk controls within which business units and departments are expected to operate and achieve their performance objectives.

The Bank's risk exposure of some of the key risk appetite parameters as at 31st December 2022 and 31st December 2021 vis-à-vis the Board approved tolerance limits are given in page 207.

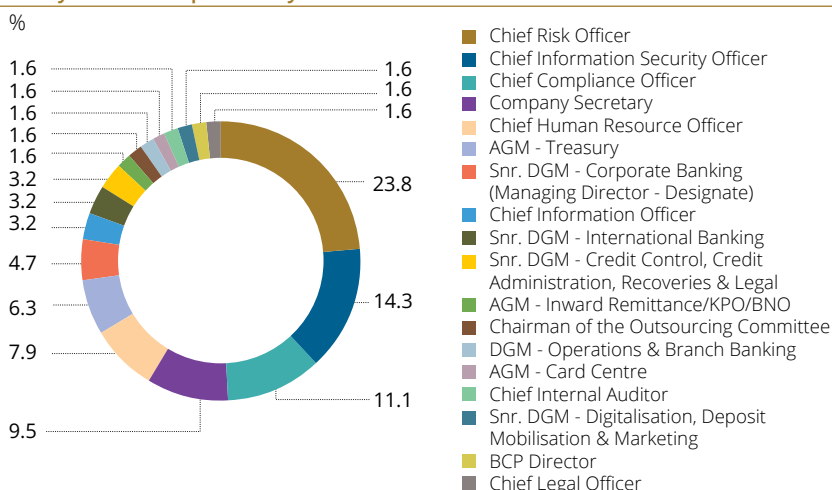
Risk Appetite Parameters			Tolerance Limit	Actual	
				31st December 2022	31st December 2021
Credit Risk	Credit Quality	✎ Impaired Loans (Stage 3) Ratio (Net)	Less than 5.0%	4.35%	3.20%
		✎ Exposure to High Grades (A+ to B+)/Total Advances	More than 45%	48.52%	49.55%
	Credit Concentration	✎ Aggregate exposure (funded + non funded) to large borrowers (i.e. over 15% of the Capital)/Total Advances (funded + non funded)	Less than 20%	6.98%	5.50%
		✎ Aggregate exposure (funded + non funded) to large borrowers (i.e. over 15% of Capital)/Capital Base	Below 2 times	0.75	0.51
		✎ Related Party Accommodation/Capital Base	Less than 35%	20.97%	17.76%
		✎ Top 20 Advances (limits)/Tier I Capital	Below 4 times	2.85	2.30
		✎ Top 20 Advances (limits)/Capital Base	Below 3 times	2.38	1.88
		✎ Off-Shore Exposure (total limits)/Total Advances (Lending to Banks off-shore borrowers only)	Less than 7.5%	5.7%	4.05%
Market Risk	Foreign Exchange Risk	✎ Net Open Position Overnight Limit of the Bank (Subject to change as per CBSL)	USD Mn 35 (Over Bought)	2.37 (Over Bought)	7.17 (Over Bought)
			USD Mn 25 (Over Sold)	-	-
	Liquidity Risk	✎ Liquid Assets Ratio	Minimum 21%	27.85%	32.62%
		✎ Net Loans to Total Assets	Less than 75%	61.25%	63.55%
Operational Risk	Interest Rate Risk	✎ Tolerance Limit for Mark to Market (MTM) losses from "FVPL" and "FVOCI" portfolios	Rs Mn (7,500)	(443)	(1,290)
		✎ Employment Practices and Work Place Safety	Rs Mn 5.00	-	-
		✎ Clients, Products and Business Practices	Rs Mn 5.00	0.14	-
		✎ Damage to Physical Assets	Rs Mn 5.00	0.15	0.04
		✎ Business Disruptions and System Failures	Rs Mn 5.00	1.72	3.06
		✎ Execution Delivery and Process Management	Rs Mn 10.00	3.70	5.47

RISK MANAGEMENT REPORT

In addition to the risk appetite parameters, the Board has issued policy statements stating the general principles, including establishing specific authority limits and assigning duties and functional responsibilities for the management for each risk type in line with overarching risk appetite parameters. The Bank's risk control architecture also consists of assessment mechanisms benchmarked on international best practices including stress testing, Recovery Plan (RCP), Risk and Control Self-Assessment (RCSA) and Internal Capital Adequacy Assessment Process (ICAAP) as well as internally developed tools such as risk registers, risk matrices, dashboards, Early Warning Signal (EWS) Systems etc.

Additionally, the regulatory frameworks applicable to licensed commercial banks in Sri Lanka also provide further guidance for managing specific risks.

Policy Review Responsibility



Risk Management	Credit Risk	Market Risk	Operational Risk (including Information Technology Risk)
Risk Management Policies and Internal Controls	➤ Credit Policy ➤ Credit Operations Manual ➤ Credit Risk Management Policy ➤ Clear segregation of duties between loan origination, pre-credit evaluation, credit administration and post-credit monitoring ➤ Pre-credit evaluation by RMU ➤ Post credit monitoring by RMU ➤ Internal Procedures and Directives	➤ Market Risk Management Policy ➤ ALCO Policy ➤ Investment Policy ➤ Liquidity Management Policy including Liquidity Contingency Funding Plan ➤ Treasury Policy and Procedure Guideline for Treasury Operations ➤ Code of Conduct for Treasury Operations ➤ Treasury Manual	➤ Operational Risk Management Policy ➤ Internal Policies, Procedures, Directives and System Specifications ➤ Policy on mapping Bank's Business activities in to Basel Business Lines ➤ Legal Risk Management Policy ➤ Model Risk Management Policy ➤ Anti-fraud Policy ➤ MOUs, Service Level Agreements and Non-Disclosure Agreements to manage relationships with external service providers
Risk Management Tools	➤ Early Warning Signals (EWS) ➤ Risk Based Pricing (RBP)	➤ Present Value Basis Points (PVB) Analysis ➤ Scenario Analysis ➤ Value at Risk (VaR) ➤ Sensitivity Analysis for Market Risk Exposures	➤ Risk and Control Self-Assessment (RCSA) ➤ Operational risk capital charge calculation under ASA (Alternative Standardised Approach)
Risk Monitoring and Reporting Protocols	➤ Loan review monitoring process (ongoing, up to a % of total loan portfolio)	➤ Monitoring of Board-approved limit framework as per CBSL requirements and reporting any limit exceptions to BIRMC/BTC ➤ Market developments/trends and MIS ➤ Profitability analysis from the foreign exchange portfolio through the revaluation process	➤ Monitoring of reported loss events on daily basis

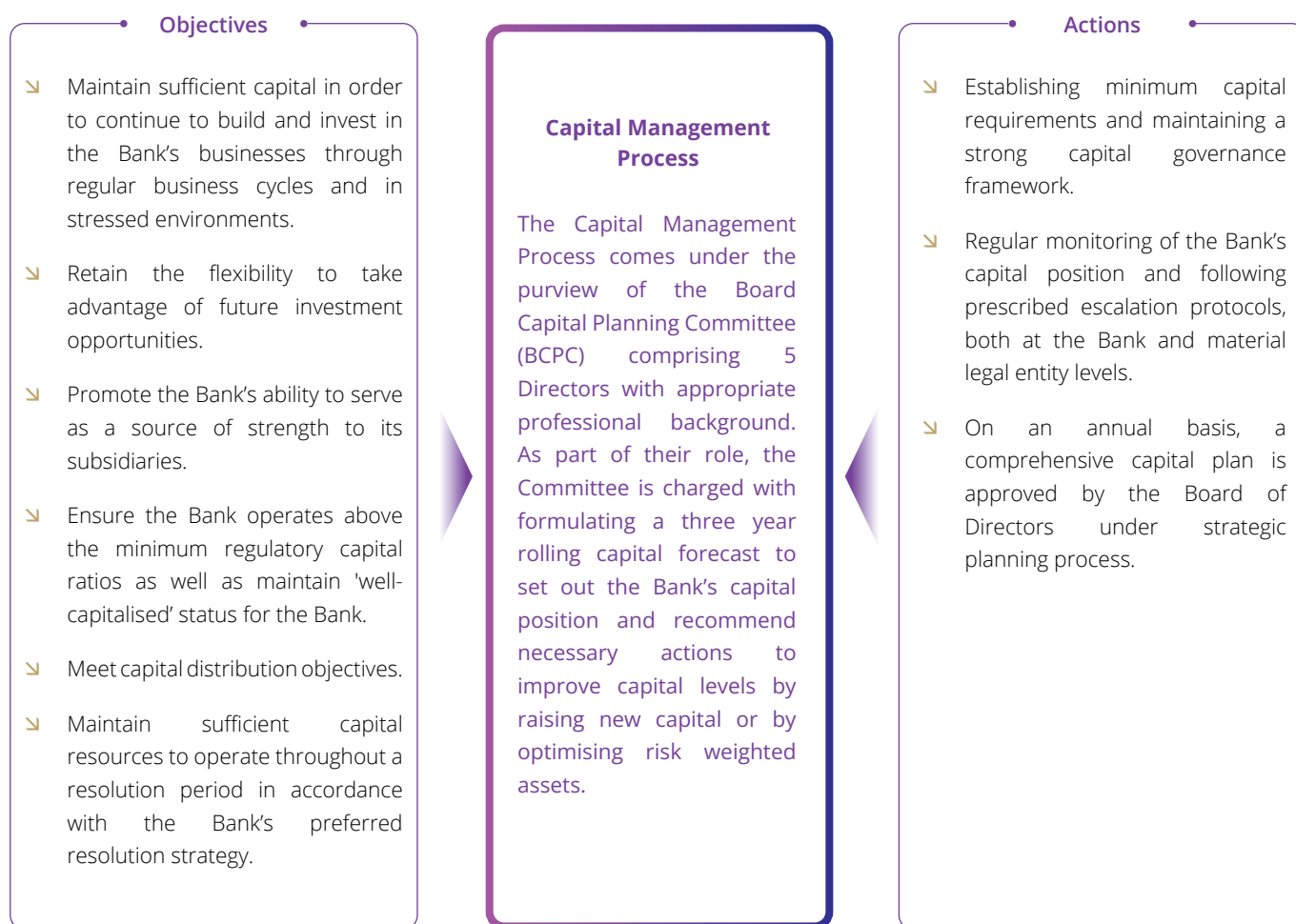
Risk Management	Credit Risk	Market Risk	Operational Risk (including Information Technology Risk)
Risk Monitoring and Reporting Protocols	M - Monitoring of sector-wise and product-wise exposures - Monitoring of geographical distribution - Monitoring of risk appetite limits for Credit Risk - Credit Risk Heat Map/ Dashboard - Review of expired OD limits - Analysis of facilities/ borrowers not reviewed on time - Review of risk rating status of borrowers - Review of Security Register Maintenance (SRM) of facilities	- Mark-to-market of the equity portfolio - Monthly Market Risk Dashboard to BIRMC - Submission of management reports to ALCO and BIRMC covering Interest Rate, Foreign Exchange and Liquidity Risk	- Root cause analysis - Analysis of loss events received and submit to Risk and Compliance Committee Meeting - Monitoring of the risk appetite for Operational Risk
	Q - Analysis of risk elevated industries - Analysis of Watch Listed Customers - Stress testing on Credit Risk and Credit Concentration Risk	- Stress testing on Interest Rate Risk, Liquidity Risk, Foreign Exchange Risk and Equity Risk encompassing changing positions and new economic variables - Modified duration on T-Bill, T-Bond, SLDB/SLISB and Debenture portfolios - Monitoring of yield curve risk and repricing risk covering trading book and banking book	- Operational Risk Stress Testing - Monitoring of Key Risk Indicators (KRI) and submit to BIRMC - Risk and Control Self-Assessment (RCSA) for IT related departments and submit to BIRMC - Analysis of Internal Frauds and submit to Fraud Risk Management Committee - CBSL reporting of High Valued actual losses
	SA - Analysis of Advances Portfolio - Analysis of Condominium and Mixed Development construction projects - Analysis of Bank exposure to 30 Largest Groups/ Customers		
	A		- Risk and Control Self Assessments (RCSA) for all Business Units - Cyber Security measures/IT risk - Independent assessment of BCP process

C Continuous**M** Monthly**Q** Quarterly**SA** Semi-Annually**A** Annually

RISK MANAGEMENT REPORT

Capital Planning

Capital planning is a vital part of the Bank's risk control architecture and is undertaken to mitigate capital risk. Capital Risk is the risk to the Bank stemming from an insufficient level or composition of adequate capital to support Bank's core business activities and/or to support business expansion. A strong capital position is vital to support the Bank's business strategy and to gain competitive advantage.



Capital Adequacy

Capital Adequacy is one of the key financial indicators which illustrates the soundness and the stability of the Bank. It acts as a 'cushion' or 'buffer' in safeguarding the depositors' and lenders' funds by absorbing potential losses arising from key risks faced by the Bank. The Capital Adequacy Ratio is a measure used to determine whether the Bank has sufficient capital to withstand unexpected losses

arising from various risks during the course of the business, such as Credit Risk, Market Risk, Operational Risk etc.

At present, Capital Adequacy Ratios of the licensed banks in Sri Lanka are computed based on the Banking Act Direction No. 1 of 2016 and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The above directions are based on the 'Basel III Accord', a series of

banking regulations set by the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlement (BIS) in December 2010 (Revised in June 2011).

In accordance with the latest regulatory requirements enforced by CBSL based on the Basel III framework, Sampath Bank computes Capital Adequacy Ratios (CAR) under 3-Tiers.

Capital Adequacy Ratios

Ratio	Minimum Requirement	As at 31st December 2022
Common Equity Tier I (CET I) Capital	7.00%	11.92%
Total Tier I Capital	8.50%	11.92%
Total Capital	12.50%	14.27%

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process is used as a capital management tool by the management/Board. The ICAAP calculation is done annually for the purpose of projecting the Bank's capital and liquidity needs for the forthcoming financial years, with due consideration of earnings, balance sheet and risk forecasts under baseline and adverse economic and market conditions. Periodic stress tests are conducted to assess the potential impacts to Bank's balance sheet, earnings, regulatory capital and liquidity under a variety of stress scenarios. Qualitative/Quantitative risk assessments are performed to identify and assess material risks not fully captured under regulatory capital.

Leverage Ratio

The Basel III Leverage ratio is a capital adequacy tool that is arrived at, by dividing the Bank's Tier I capital from its total exposure, including total assets, derivative exposures and off-balance sheet items.

The ratio aims to constrain the build-up of excessive leverage in the banking system and to enhance the Bank's overall financial stability. Sampath Bank reported a healthy leverage ratio of 7.0% as at 31st December 2022, well over the regulatory minimum of 3.0%.



Periodic stress tests are conducted to assess the potential impacts to Bank's balance sheet, earnings, regulatory capital and liquidity under a variety of stress scenarios.

MANAGING RISKS**Credit Risk**

Credit risk, which refers to the potential loss arising from the customers' failure to meet contractual obligations as and when they fall due, is the most significant risk for any Bank. For Sampath Bank, credit risk arises as a result of loans and advances granted to individuals, SMEs and corporates. In this regard, the Bank identifies two types of Credit Risk - Counterparty Risk and Credit Concentration Risk.

Context and Strategy for 2022

On top of the spillover effects of COVID-19 pandemic, the worsening economic crisis enumerated a massive blow to business activity in 2022. Manufacturers and importers alike were affected by the import restrictions imposed by the government on the backdrop of severe foreign exchange crisis, while fuel and energy shortages saw many businesses forced to scale back or even completely shut down their operations. Meanwhile, the combined impact of rising inflation and new tax regime introduced in the latter part of 2022 led to the rapid erosion of disposable income.

To add to this, the Central Bank of Sri Lanka raised its key interest rates by 700 basis points in April 2022 causing the lending rates of the banks to shoot up and in turn discouraging borrowers from obtaining new credit.

Amidst this backdrop, Sampath Bank made a conscious effort to curtail new lending in late 2022. Consequently, the overall Rupee credit exposure of the Bank increased only marginally by 4.9% from Rs 717 Bn as at 31st December 2021 to Rs 753 Bn as at 31st December 2022. The Bank however took some notable steps to bring relief to customers who were under stress. In this regard, a substantial portion of individual borrowers and corporate entities who remained under the moratorium until 30th June 2022, were granted additional moratoriums to enable them to continue to manage their liquidity position. However, it should be noted that the tourism industry moratorium was extended for the 5th consecutive time with the latest instalment scheduled to end in January 2023.

The Bank's credit risk stress testing methodology was also revised in tandem with the SLFRS 9 framework. Accordingly, Stage-wise facility breakdown (Stage 1, Stage 2 and Stage 3) was introduced to the stress testing mechanism in place of the segregation of the portfolio by asset classification. In addition, CBSL loan loss provisions were replaced with impairment provisions, in the stress testing calculations. Based on the new classification, stage 3 provisions for credit impaired customers increased by 112.9% compared to 2021. Provisions for stage 1 and 2 customers were also appropriately increased. Please refer to Note 12 of the financial statements on pages 276 and 277 for further details. To strengthen the impairment process, the RMU also conducted an in-depth analysis of all sectors and recommended to increase the coverage of risk elevated industries under the current economic context and management overlays were proposed.

RISK MANAGEMENT REPORT

Stage-wise Provision Coverage Ratio

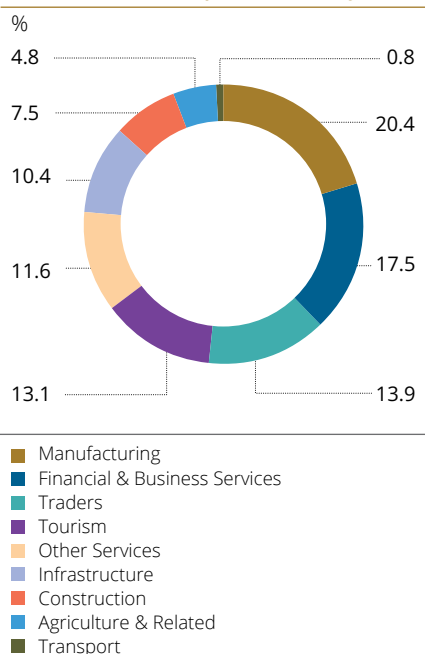
Stage	Provision Cover	
	2022	2021
Stage 1	1.9%	0.9%
Stage 2	14.6%	8.1%
Stage 3	53.8%	45.5%
Total	11.8%	6.2%

As part of the overall credit risk management efforts, the existing Credit Risk Management Policy and related procedures of the Bank were amended to include additional credit risk recognition criteria in line with the Banking Act Direction No. 13 of 2021. The RMU's involvement in credit risk monitoring and management was further strengthened in the following manner;

- Risk dashboard to present information to BIRMC regarding risk-specific mitigation actions carried out by the RMU during a particular quarter.
- Enhancing the criteria for sample selection of 'Loan Review Summaries' (LRS).
- RMU was granted the authority to watch list accounts based on their observations, under advice to business unit.
- The authority for delisting of watch-listed customers was restricted to RMU, effectively preventing business units from performing this activity.
- Recommendations of the RMU were sought when upgrading rescheduled facilities.
- Revised ICAAP to include a series of new assessment criteria for credit concentration risk.
- Introduction of a Group Risk Rating Model to evaluate the consolidated financial statements of Group companies.

As part of the overall credit risk mitigation efforts, the Branch Operations Centralisation Unit (BOCU) was formed to centralise selected back-office functions of the branch network, in order to ensure such operations are handled by a dedicated specialist team, thus relieving branch front-liners to focus solely on pursuing high quality lending opportunities. In parallel,

Sector-wise Distribution of Post Credit Evaluation (LRS) in 2022 (Based on the Sample Selected by RMU)



the Central Credit Documentation Unit (CCDU) was formed to provide assurance regarding the completion of customer security documentation prior to disbursement of credit facilities.

Meanwhile, the following key initiatives were implemented by the RMU to promote the credit risk awareness culture at all levels across the Bank;

- Launch of the "Risk Magazine" - a quarterly publication, shared among the Bank staff to provide financial information, news, industry updates, with a particular focus on risk management.
- Internal department training sessions on more frequent basis, to share knowledge among the risk management team members.
- Region/credit department-wise knowledge sharing sessions on credit risk management principles.
- Training to improve credit appraisal skills and related risk management of credit officers.
- Frequent email campaigns to educate branch teams, zonal sector heads and teams of credit departments and update them on the latest credit risk developments, elevated industries, possible risk mitigating actions in order to manage overall risks in banking.

Credit Risk Outlook and Focus for 2023

Given that there appears to be uncertainty as to when economic rebound will materialise, the Bank will adopt a prudent approach to credit and lending driven by stringent pre-credit evaluation and close monitoring of post credit borrower performance including thorough spot evaluations and site visits. In this regard, the RMU will remain hyper vigilant regarding evolving economic conditions with a view to curtailing new exposures to risk elevated sectors. These efforts will be coupled with more focused training to strengthen the risk awareness culture, especially among credit officers.

Market Risk

Market risk refers to the potential losses influenced by factors such as the movement in interest rates, exchange rates, equity market activities and commodity prices.

Market risk therefore comprises three basic elements:

- Interest Rate Risk which refers to the current or potential risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. There were several factors that had a bearing on market risk in 2022. Interest Rate Risk remained at elevated levels owing to major changes in policy rates following the CBSL's decision to increase policy rates by 700 basis points in April 2022 and another 100 basis points in July 2022.
- Currency Risk which refers to the losses that may be reflected in the foreign currency denominated investment portfolio due to fluctuations in the relative value of the currencies involved. Heightened Currency Risk in 2022 was attributed primarily to Sri Lanka's foreign currency liquidity crisis which triggered a massive LKR depreciation in March and among other things led to the downgrade of the country's sovereign rating.
- Liquidity Risk arises due to the non-availability of adequate liquid funds for institutions to honour its contractual and contingent financial obligations as and when they fall due. A number of reasons were responsible for amplifying Liquidity Risk in 2022, key among them being weak economic activity, rising interest rates, and hyper inflationary conditions. Foreign currency liquidity levels dropped significantly in 2022 on the back of lower foreign currency inflows and

restricted movement of foreign currency in the market. Another grave concern was escalating global commodity prices on the back of the Russia/Ukraine war.

The Market Risk Management Unit (MRMU) is the main custodian in charge of Bank-wide market risk management activities. In this capacity, the MRMU monitors market risks in line with established market risk policies and procedures in order to facilitate efficient risk/return decisions, reduce volatility in operating performance and support transparent reporting of the Bank's market risk profile to Corporate Management, the Board of Directors and Regulators.

Key Responsibilities of the MRMU include;

- Ensuring proper implementation of the market risk policy framework.
- Keeping the Board and the Corporate Management informed of the market risk exposures applicable to the Bank at any given time.
- Developing and maintaining quantitative risk models. E.g.: VaR, PVBP calculation etc.
- Conducting daily reviews and analysis and fulfilling regulatory requirements.
- Independent assessment and monitoring of limits consistent with risk appetite, and controlling of business line and Bank wide market risk.
- Performing stress testing and qualitative risk assessment.

Market Risk Management Tools

Limits on quantitative risk measures such as Value at Risk (VaR), Present Value Basis Points (PVBP), Mark to Market (MTM) Limits on T-Bill/T-Bond portfolio are independently set by the MRMU, while other Treasury limits such as Counterparty limits, Country limits and Currency limits are established by the Treasury Dealing Room. These limits

are reviewed on a regular basis in the context of market liquidity, volatility and strategic business priorities, in order to ensure they remain relevant and within the Bank's overall risk appetite for market risks.

• Value at Risk (VaR) •

VaR is a statistical technique used to measure the amount of potential loss that could occur in a portfolio over a specified period of time. In other words, VaR estimates the potential for loss and the probability that this loss will occur. Sampath Bank uses the historical simulation method for Market Risk VaR calculations which takes prior market data over a defined period and applies those outcomes to the current portfolio.

Approved treasury limits are tracked in real time through the Central Limit Management System with anomalies reported to the management for review and approval. Meanwhile, certain quantitative market risk measures and corresponding limits identified as critical in the Bank's Risk Appetite Statement, are reported on a monthly basis to BIRMC and are approved at least annually by the BIRMC and the Board.

Specific Action to Manage Interest Rate Risk (IRR)

IRR is managed primarily using Yield Curve and the Repricing of the Banking Book. These principles are put into practice via a comprehensive policy framework and a set of prudential limits, coupled with VaR assessments, Duration and Maturity Gap Analysis, PVBP and Stress Testing.

Considering the uncertain environment in 2022, stress testing was further expanded, while special scenario analysis was carried out to regularly review and update MTM loss limits for trading portfolio in tandem with evolving market conditions.

RISK MANAGEMENT REPORT

Interest Rate Sensitivity Gap Analysis of Assets and Liabilities of the Banking Book as at 31st December 2022

Description	0-90 Days	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Non-Sensitive	Total
	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn
Total financial assets	518,673	285,242	157,333	75,980	108,218	134,862	1,280,308
Total financial liabilities	558,513	451,695	45,195	11,424	9,170	94,479	1,170,476
Interest rate sensitivity gap	(39,840)	(166,453)	112,138	64,556	99,048	40,383	109,832
Cumulative gap	(39,840)	(206,293)	(94,155)	(29,599)	69,449	109,832	
Rate sensitive assets (RSA)/ Rate sensitive liabilities (RSL)	93%	63%	348%	665%	1,180%	143%	109%

Specific Action to Manage Currency Risk

To manage Currency Risk, the Bank has established stop loss limits and maximum limits for individual dealers for foreign currency trading. This is coupled with strict monitoring of rate movements, counterparty limits and currency-wise and aggregate exposures of the foreign currency portfolio.

Given the extreme currency volatility and severe shortage of foreign currency availability in 2022, RMU increased the severity level of quarterly stress testing scenarios of the Bank's foreign currency portfolio and also began monitoring internal tolerance limits for foreign exchange transactions. Limit enhancements to the Bank's foreign exchange Net Open Position were also constantly monitored and its effects were reported to BIRMC. Please refer to Note 51.4.4 - Currency Risk on pages 403 and 404.

Specific Action to Manage Liquidity Risk

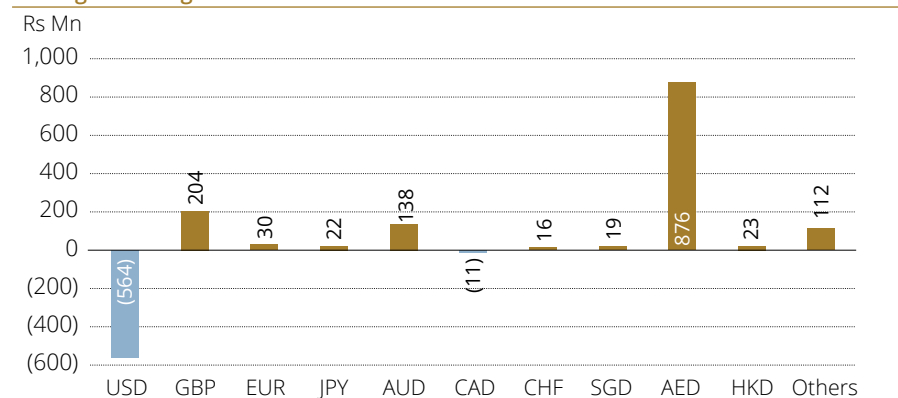
Sampath Bank has adopted globally recognised Stock and Flow approaches for the management of Liquidity Risk, where the Stock approach measures the liquidity stored in key balance sheet ratios, while the Flow approach focuses on the management of cash inflows and outflows within predetermined time bands according to the residual time to maturity.

Key Ratios Used for Measuring Liquidity Under the Stock Approach

Liquidity Ratios	As at 31st December 2022	As at 31st December 2021
	%	%
Net loans and advances/Total assets	61.2	63.6
Gross loans and advances/Customer deposits	83.9	83.1
Liquid assets/Short-term liabilities	38.2	49.4
Bulk deposits/Total deposits	8.5	5.7
Purchased funds/Total assets	4.6	2.8
Commitments/Total loans	8.4	17.3

In the current low liquidity situation, the Bank's contingency funding plan was reviewed and updated in 2022. Moreover, in addition to daily stress testing of the SLAR, the Bank's entire assets and liability positions were subjected to quarterly stress testing.

Foreign Exchange Position as at 31st December 2022



Statutory Liquidity Ratios

As at 31st December	2022	2021
	%	%
Statutory Liquid Assets Ratio (SLAR) - Bank	27.85	32.62
Liquidity Coverage Ratio (LCR) - Rupee	200.78	254.89
Liquidity Coverage Ratio (LCR) - All Currency	146.53	213.43
Net Stable Funding Ratio (NSFR)	157.10	149.92

Operational Risk

Operational risk refers to the losses stemming from inadequate or failed internal processes, people and systems, or from external events such as natural disasters, social or political events.

In the normal course of business, the Bank manages operational risk through appropriate risk policies, procedures, directives along with continuous assessment and monitoring of loss events. In addition, risk mitigation initiatives such as insurance covers, service-level agreements with third parties have also been implemented. Meanwhile, a comprehensive Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP) is in place to manage contingencies.

In 2022, Operational Risk was underscored mainly by fuel shortages and energy disruptions experienced for a good part of the year. The lack of adequate fuel reserves in the country meant that backup power sources could not be utilised in the event of a power disruption, while frequent power outages meant the Bank had to face the risk of service disruptions. Moreover, with fuel shortages affecting



In the normal course of business, the Bank manages operational risk through appropriate risk policies, procedures, directives along with continuous assessment and monitoring of loss events. In addition, risk mitigation initiatives such as insurance covers, service-level agreements with third parties have also been implemented.

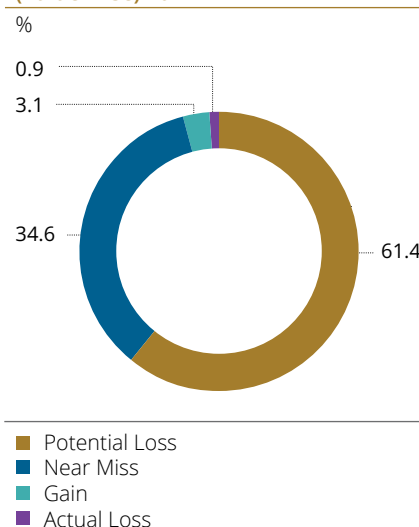
transport networks across the country, travelling to and from their designated workplaces became a challenge for Bank employees. Suppliers too were similarly affected, resulting in delays in the delivery of critical supplies such as cash deliveries for ATM loading. Vendor due diligence activities involving site visits also could not be conducted owing to transport issues.

In response to these unprecedented operational challenges, the RMU made the following recommendations for future action;

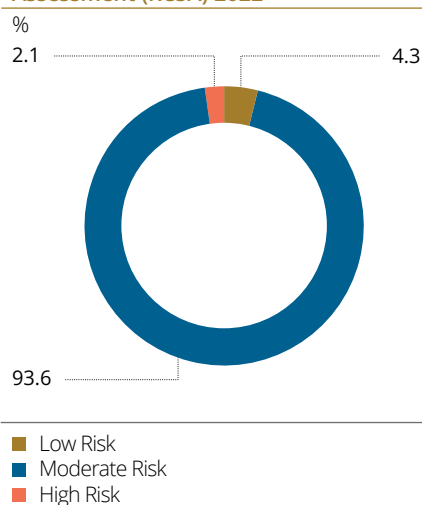
- Invest in commissioning renewable energy as a power source for critical service points.
- Install UPS systems to provide backup power for CCTV and Security systems.
- Increase the level of supplier diversification to maintain at least 5 approved suppliers for all critical activities.
- Outsource vendor due diligence and assurance activities to independent third party experts.

The Bank has identified a number of noteworthy risks that contribute to Operational Risk. These include; IT Risk, Legal Risk, Model Risk and Cybersecurity/ Information Security Risk.

Breakdown of Total Loss Events (Value-wise) 2022

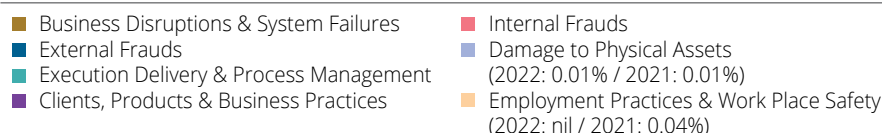
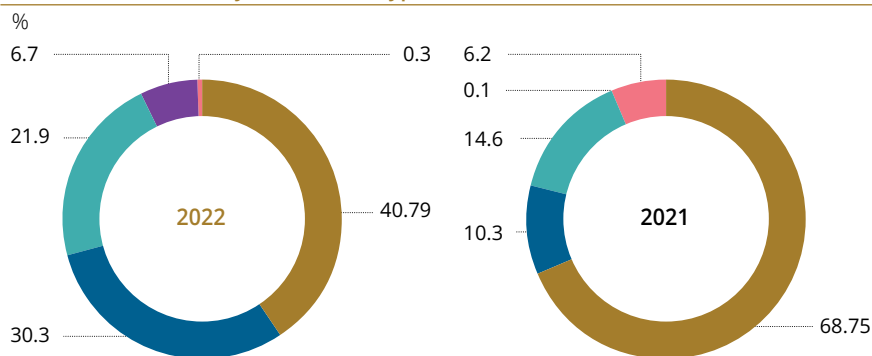


Summary of Risk & Control Self Assessment (RCSA) 2022

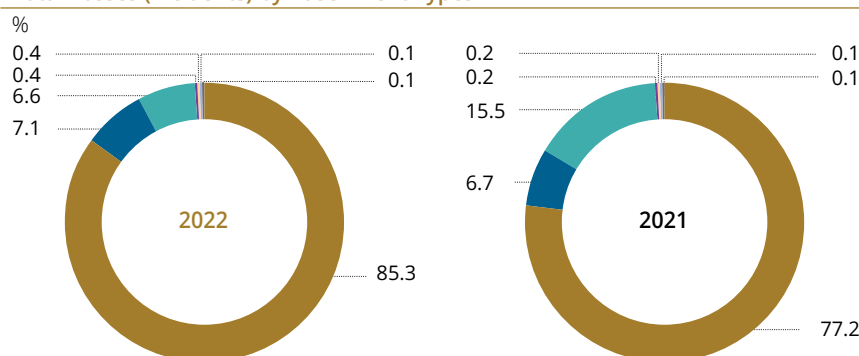


RISK MANAGEMENT REPORT

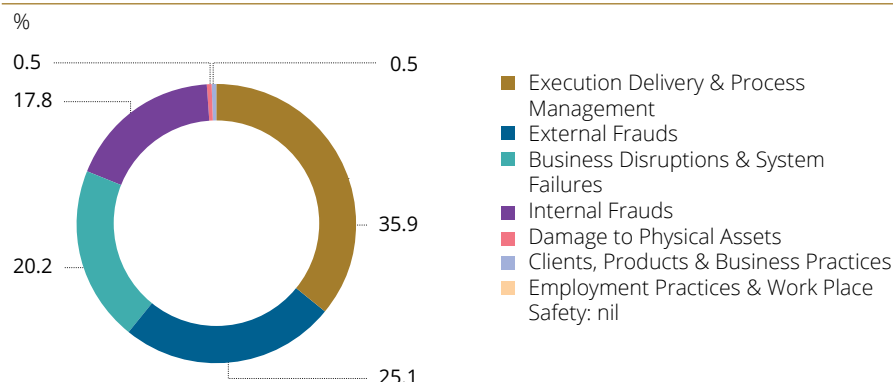
Total Losses (Value) by Basel Event Types



Total Losses (Incidents) by Basel Event Types



Actual Losses for 2022 (Value-wise)



➤ **IT Risk** - refers specifically to disruption to the normal course of business due either to failure of hardware and software systems or the lack of adequate IT infrastructure. Through its involvement in monitoring IT related loss events and performing root cause analysis to determine the cause and effect of such events, the RMU plays an important supporting role in the day to day management of IT risk. In an effort to further strengthen the overall IT Risk Management Framework, the RMU began working closely with the IT Department to comply with the Banking Act Direction No. 16 of 2021 on Technology Risk Management and Resilience. As a first step, a process-based gap analysis was conducted to identify pain points to be addressed on a priority basis. Based on the findings of the gap analysis, the RMU and the IT Department began the process of defining the Technology Risk Appetite and set appropriate Tolerance Limits for critical IT risk points. In parallel, the RMU also undertook and completed the RCSA (Risk and Control Self-Assessment) process for all business units.

➤ **Legal Risk** - Basel III includes Legal Risk as a part of Operational Risk. Legal Risk is the risk arising from non-compliance with statutory and/or regulatory provisions, uncertainty due to legal actions or uncertainty in the applicability or interpretation of relevant laws or regulations applicable to the Bank during the course of its business and other operations, including people, process, systems or external events. Legal Risk could also arise owing to court action occurring locally or internationally, or simply the penalty resulting from non-compliance with legal requirements.

The Bank manages legal risk by subscribing to all governing regulations applicable to third party dealings and contractual business relationships. The Compliance Department, through its routine due diligence activities, provides assurance to safeguard against non-compliance.



Strategic Risk is well managed under the stewardship of the Board of Directors. The Board sets strategy in correlation to the Bank's overall Vision and Core Values.

➤ **Model Risk** - A subset of Operational Risk, Model Risk is the risk that occurs when financial models used to measure quantitative information fail, leading to adverse outcomes for the Bank. The Bank uses a number of models that apply statistical, economic, financial and mathematical theories, techniques and assumptions to process data into quantitative estimate, for the management of various risks. Model failures can occur due to programming errors, incorrect data, and technical errors as well as from misinterpretation of model outputs. The Bank uses extensive testing, robust governance policies and independent reviews to manage model risk.

➤ **Cybersecurity/Information Security Risk** - Cybersecurity/Information Security Risk occurs as a result of internal and/or external breach of the Bank's data/systems. Towards this end, Sampath Bank has aligned with global best practices by obtaining the ISO 27001 standards certification to validate the efficacy of the Bank's information security architecture. The Bank has also focused on aligning with the CBSL's Baseline Security Standards (BSS) for licensed commercial banks. For more information regarding the steps taken in 2022, please refer to the Capital Management Report - Intellectual Capital section on pages 94 to 100.

Reputation Risk

Reputation Risk can occur either when a lapse in judgement (including but not limited to violation of business ethics, non-compliance, customer service lapses or operating deficiencies) or inaction leading to negative stakeholder perceptions regarding the Bank, that can have a profoundly negative impact on the Bank's reputation and industry standing.

Specific policies and guidelines, including detailed brand guidelines provide the foundation for mitigating Reputation Risk. For more details on steps taken in 2022 to protect and strengthen the Bank's reputation, please refer to the Capital Management Report - Intellectual Capital section on pages 94 to 100.

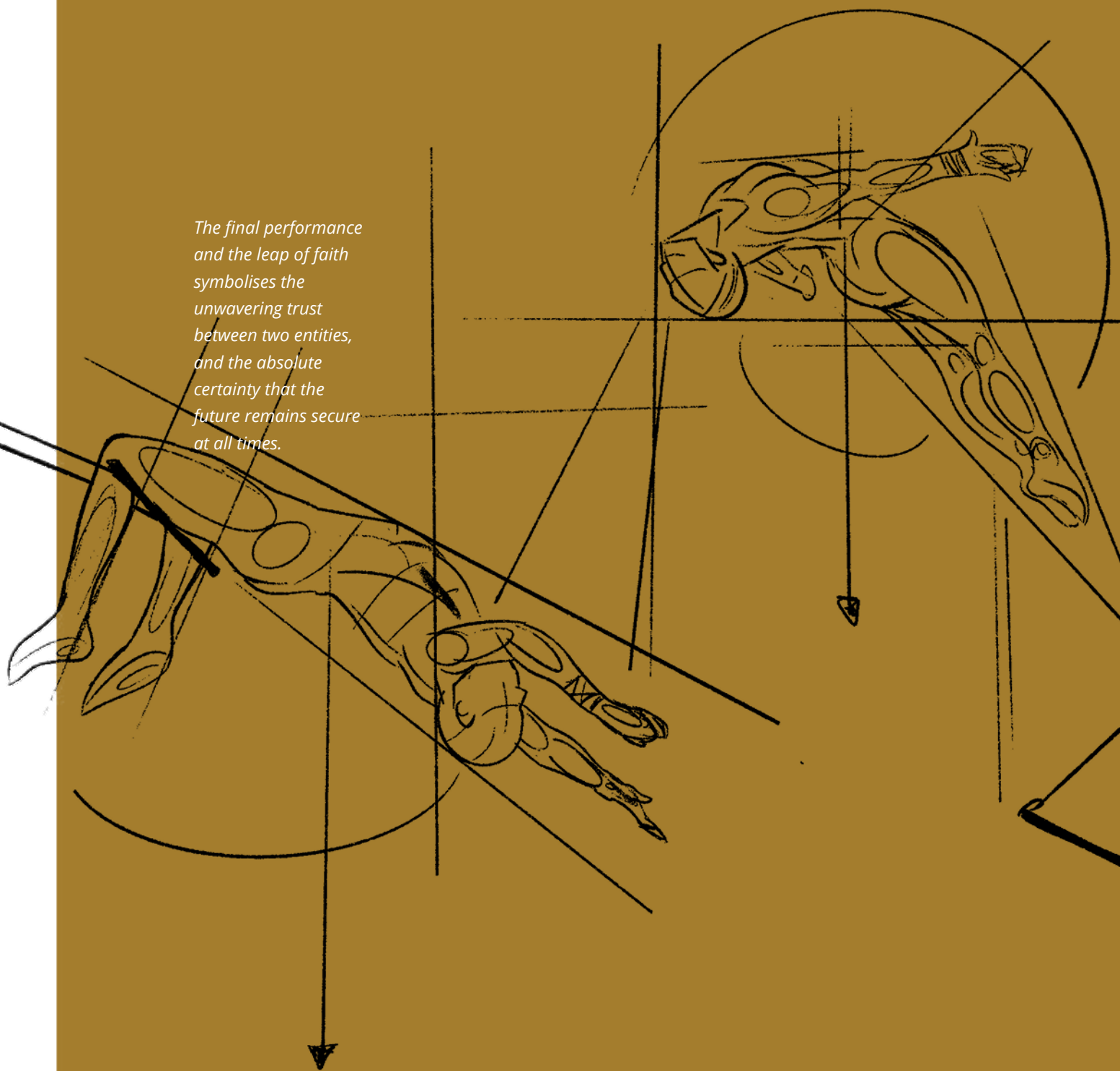
The independent brand health study and regular stakeholder interactions (Refer Stakeholder Engagement section on pages 62 to 69) also pave the way to understand and align with stakeholder expectations in order to minimise potential reputational damage.

Strategic Risk

Strategic Risk refers to the potential negative impact to the Bank's performance and prospects owing to ineffective strategic decisions resulting in the failure to capitalise on business opportunities and/or take action against potential threats.

Strategic Risk is well managed under the stewardship of the Board of Directors. The Board sets strategy in correlation to the Bank's overall Vision and Core Values. The Board-approved annual budget and the strategic plan outlines the future direction of the Bank through a set of short-term goals, long-term goals, objectives and priorities along with the actions needed to achieve them in line with the Bank's overall vision. Environmental scans are done on a continuous and ongoing basis to compare and contrast the Bank's SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis against changes in the PESTEL (Political, Economic, Social, Technological, Environmental and Legal) landscape.

*The final performance
and the leap of faith
symbolises the
unwavering trust
between two entities,
and the absolute
certainty that the
future remains secure
at all times.*



COURAGE IN CONVICTION

FINANCIAL INFORMATION

Our powerful track-record and longstanding partnerships fuel a strong sense of confidence in our ability to help you soar, and reach your full potential.

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FINANCIAL CALENDAR

Financial Calendar - 2022

2021 Annual Report and Audited Financial Statements signed on	15th February 2022
36th Annual General Meeting held on	30th March 2022
Rs 4.25 per share Final Cash Dividend for 2021 distributed on	25th April 2022
2022 Annual Report and Audited Financial Statements signed on	17th February 2023
37th Annual General Meeting to be held on	30th March 2023
Rs 3.45 per share Final Cash Dividend for 2022 distributable on	26th April 2023*
Rs 1.15 per share Final Scrip Dividend for 2022 distributable on	17th April 2023*

Interim Financial Statements published in terms of Rule 7.4 of the Colombo Stock Exchange (CSE) and as per the requirements of the Central Bank of Sri Lanka:

	Colombo Stock Exchange	Newspapers (as required by CBSL)		
		English	Sinhala	Tamil
2021 4th Quarter interim results released on	17th February 2022	25th February 2022	02nd March 2022	02nd March 2022
2022 1st Quarter interim results released on	13th May 2022	26th May 2022	27th May 2022	27th May 2022
2022 2nd Quarter interim results released on	12th August 2022	25th August 2022	26th August 2022	26th August 2022
2022 3rd Quarter interim results released on	11th November 2022	25th November 2022	28th November 2022	28th November 2022

Proposed Financial Calendar - 2023

2023 Annual Report and Audited Financial Statements to be signed in	February 2024
38th Annual General Meeting to be held in	March 2024
Final dividend for 2023 payable in	April 2024**

Interim Financial Statements to be published in terms of Rule 7.4 of the Colombo Stock Exchange and as per the requirements of the Central Bank of Sri Lanka:

	Colombo Stock Exchange	Newspapers (as required by CBSL)		
		English	Sinhala	Tamil
2022 4th Quarter interim results to be released on or before	17th February 2023	31st March 2023	31st March 2023	31st March 2023
2023 1st Quarter interim results to be released on or before	15th May 2023	31st May 2023	31st May 2023	31st May 2023
2023 2nd Quarter interim results to be released on or before	15th August 2023	31st August 2023	31st August 2023	31st August 2023
2023 3rd Quarter interim results to be released on or before	15th November 2023	30th November 2023	30th November 2023	30th November 2023
2023 4th Quarter interim results to be released on or before	29th February 2024	31st March 2024	31st March 2024	31st March 2024

* Subject to confirmation by Shareholders

** Subject to confirmation by Directors and Shareholders

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

1. GENERAL

The Board of Directors of Sampath Bank PLC have pleasure in presenting its Annual Report on the State of Affairs of the Company to the members of Sampath Bank PLC ("the Bank") for the financial year ended 31st December 2022, together with the audited Financial Statements of the Bank, Consolidated Financial Statements of the Group for that year and the Auditors' Report on those Financial Statements, prepared in compliance with the requirements of the Companies Act No. 7 of 2007 and its amendments, Banking Act No. 30 of 1988 and its amendments. The Financial Statements have been reviewed and recommended by the Board Audit Committee and were approved by the Board of Directors on 17th February 2023.

This report also includes all other relevant information required by the Companies Act No. 7 of 2007 and its amendments, Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange and is also guided by the recommended best practices on Corporate Governance.

This report was approved by the Board of Directors on 17th February 2023. The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka, Colombo Stock Exchange, Registrar of Companies, Securities and Exchange Commission of Sri Lanka and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

Sampath Bank is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988

("Banking Act") and was incorporated as a Public Limited Liability Company in Sri Lanka on 10th March 1986 under the Companies Act No. 17 of 1982, initially as "Investment and Credit Bank Limited", and subsequently changed to Sampath Bank Limited. The Company was re-registered as per the requirements of the Companies Act No. 7 of 2007 and its amendments ("Companies Act") on 28th April 2008 under the name "Sampath Bank PLC" with the Registrar General of Companies. The re-registration number of the Bank is PQ 144.

The ordinary shares of the Bank are listed on the Main Board of the Colombo Stock Exchange. The Bank's Basel III Tier II Compliant Rated Unsecured Subordinated Redeemable Debentures are also listed on the Colombo Stock Exchange.

The Bank has been assigned a National Long Term Rating of 'A(Ika)/RWN' [31st December 2022: 'AA-(Ika)/RWN'] by Fitch Ratings Lanka Limited. The subordinated debentures have been assigned a rating of 'BBB+(Ika)/ RWN'.

The Registered Office as well as the Head Office of the Bank is located at No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka.

2. APPROACH TO CORPORATE GOVERNANCE AND FRAMEWORK

The Sampath Bank Board is fully committed to maintaining the best governance outcomes based on the principles of ethical leadership, accountability and transparency. The Bank's governance framework provides clear direction for quick and responsive decision making and for promoting responsible behaviours to ensure the sustainable delivery of strategic outcomes. The Bank continues to aspire to achieve higher standards of governance, integrity

and professionalism in line with globally accepted good governance benchmarks.

3. GOVERNANCE IN YEAR 2022

The Bank's Governance Structure is designed to drive sustainable growth in alignment with Sampath Bank's Vision and Values, while carefully balancing interests of stakeholders. Amidst severe economic headwinds in 2022, the Bank's clearly defined governance structures enabled the Board to maintain proper and effective oversight over the affairs of the Bank. Towards this end, the Board received regular updates supported by more in-depth analysis of key issues affecting the Bank and its stakeholders.

The Board worked closely with the Corporate Management Team to review the Bank's business plan and assess the impact to the Bank from the ongoing economic crisis including the related risks and opportunities. Where necessary, the Board has approved appropriate short, medium and long-term initiatives to build the Bank's defenses and strengthen overall resilience against ongoing challenges.

The Board together with the Board Sub-Committees successfully managed the Bank's activities through continuous strategic realignment to protect and create value for the Bank and its stakeholders. In deliberating strategy, the Board adopted an integrated approach to value creation by embracing stakeholder inclusivity while considering the Environmental, Social and Governance (ESG) impacts on the organisation.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

4. STATUTORY DISCLOSURES

Section 168 of the Companies Act No. 7 of 2007 and its amendments requires the following information to be disclosed in the Annual Report prepared for the year under review.

No.	Disclosure Requirements	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page Reference
1.	The nature of the business of the Bank and the Group	Section 168 (1) (a)	About the Bank	10 - 13
			Note 1.3 to the financial statements - Principal Activities and Nature of Operations of the Bank	253
			Performance of Subsidiaries	164 - 165
			Note 28 to the financial statements - Investment in Subsidiaries	308 - 309
2.	Signed Financial Statements of the Bank and the Group for the accounting period completed in accordance with Section 152	Section 168 (1) (b)	The Financial Statements for the year ended 31st December 2022 have been duly signed by the Executive Director/Chief Financial Officer, three more Directors and the Company Secretary of the Bank.	247
			Financial Statements	244 - 409
			Note 2.1 to the financial statements - Statement of Compliance	253
3.	Auditors' Report on the Financial Statements of the Bank and the Group	Section 168 (1) (c)	Independent Auditors' Report to the Shareholders of Sampath Bank PLC	239 - 242
			Based on the declaration provided by Messrs Ernst & Young and as far as the Directors are aware, the Auditors do not have any relationship with or interest with the Bank that in our judgment, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report.	
			The retiring Auditors, Messrs Ernst & Young, have expressed their willingness to continue in office. They come up for re-election at the Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors is being proposed at the Annual General Meeting.	
			Note 15.1 to the financial statements - Auditors' Remuneration	281
4.	Changes in Accounting Policies during the Accounting Period	Section 168 (1) (d)	The significant accounting policies adopted in the preparation of the Financial Statements	253 - 409

No.	Disclosure Requirements	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page Reference
5.	Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	The Bank maintains the Directors' Interest Register as required under the provisions of Section 168 (1) (e) of the Companies Act. The Directors of the Bank have made necessary declarations of their respective interests in contracts or proposed contracts, in terms of the Sections 192 (1) and 192 (2) of the Companies Act. These interests have been recorded in the Directors' Interest Register, which is available for inspection in terms of the Companies Act. As a practice and in terms of Corporate Governance, Directors have refrained from voting on matters in which they have a material interest. The Directors have no direct or indirect interest in contracts or proposed contracts with the Bank other than those disclosed.	
			Directors' Interest in Contracts with the Bank	231
6.	Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Note 47.3.1 to the financial statements – Compensation to KMP	347
7.	Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	The donations made by the Bank to the Government amounted to Rs Nil (2021: Nil). The Bank does not make donations for political purposes.	
			Note 15 to the financial statements – Other Operating Expenses	281
8.	Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	The Board of Directors of the Bank as at 31st December 2022 comprised eleven (2021: eleven) members with wide financial and commercial knowledge, and experience. In accordance with the Listing Rules of Colombo Stock Exchange and Corporate Governance Rules of the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka (CBSL), the classification of Directors into Executive (ED), Non-Executive (NED) and Independent (IND), Non-Independent (NID) are stated against the names. During the year under review, Mr Hiran Cabraal was appointed with effect from 30th June 2022, to fill up a casual vacancy on the Board. Accordingly, Mr Cabraal will be elected by the shareholders at the 37th Annual General Meeting, in terms of Article 93 of the Articles of Association of the Bank, with the unanimous recommendation of the Board Nomination Committee and approval of the Board. Mr Deshal de Mel resigned from the Board with effect from 6th May 2022.	
			Board of Directors	182 - 185

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

No.	Disclosure Requirements	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page Reference
9.	Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period by the Bank and its Subsidiaries	Section 168 (1) (i)	Note 15.1 to the financial statements - Auditors' Remuneration	281
10.	Annual Report of the Board of Directors on the Affairs of the Company to be signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Annual Report of the Board of Directors on the Affairs of the Company	221 - 231

5. ADDITIONAL DISCLOSURES

The following additional disclosures are also made. Full details regarding these disclosures are provided within Notes to the Annual Report, which form an integral part of the Annual Report of the Board of Directors.

No.	Disclosure Requirement	Disclosure Reference	Page Reference
1.	Vision, Values and Corporate Conduct	The business activities of the Bank are conducted at a high level of ethical standards in achieving its Vision	12 - 13
2.	Changes to the Group Structure	There were no changes to the Group Structure during the year under review.	
3.	Review of Operations	No new branches were opened during the year under review. The review of the financial and operational performance of the Bank and the Group, together with important events that took place during the year 2022 have been explained in the following reports:	
		Chairman's Message	30 - 33
		Managing Director's Review	34 - 41
		Management Discussion and Analysis	73 - 165
4.	Future Developments	The Bank will focus on a business expansion driven through its existing Branch Network, concentrating mainly on its core banking operations to increase its market share and profitability. This will be further supplemented by more vigorous efforts to expand the Bank's digital channels and focus on innovative product development, process improvements and staff development, all aimed at fulfilling the rapidly changing customer needs amidst challenging market conditions and to maximise the value created for all the stakeholders. An overview of the future development of the Bank and the Group is given in the following reports.	
		Chairman's Message	30 - 33
		Managing Director's Review	34 - 41
		Management Discussion and Analysis	73 - 165

No.	Disclosure Requirement	Disclosure Reference	Page Reference
5.	Directors' Responsibility for Financial Reporting	Statement of Directors' Responsibility for Financial Reporting	237 - 238
6.	Financial Results and Appropriations	Income Note 6 to the financial statements - Gross Income	272
		Profit and Appropriations	
		Statement of Profit or Loss	244
		Statement of Comprehensive Income	245
		Statement of Financial Position	246 - 247
		Statement of Changes in Equity	248 - 249
		Statement of Cash Flows	250 - 252
7.	Taxation	As per the Inland Revenue (Amendment) Act No. 45 of 2022, the income tax rate applicable on the Bank's domestic operations and off-shore operations of the off-shore banking unit increased from 24% to 30% with effect from the second six months of the year of assessment 2022/23. Accordingly, income tax was liable at 24% on taxable income of the first six months of the year of assessment 2022/2023 while taxable income of the second six months of the year of assessment 2022/2023 was liable at 30% (2021: 24%). Accordingly, deferred tax was computed at 30% as at 31st December 2022 (2021: 24%). The Group has provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 (Income Taxes). The Group was liable for income tax on local dividend received for the first six months of the year 2022 at 14% and for the second six months of the year at 15% (2021: 24%). As per the Value Added Tax (Amendment) Act No. 14 of 2022, VAT rate applicable to the Bank on financial services increased from 15% to 18% with effect from 1st January 2022 (2021: 15%). According to the Social Security Contribution Levy Act No. 25 of 2022, the Bank is liable for Social Security Contribution Levy at 2.5% on the value addition attributed to the financial services and 2.5% on non-financial turnover with effect from 1st October 2022 (2021: nil). The Bank is also liable for Crop Insurance Levy at 1% of Profit after Tax for the year ended 31st December 2022 (2021: 1%). According to the Surcharge Tax Act No. 14 of 2022, the Bank and the Group were liable for surcharge tax at 25% on the taxable income for the year of assessment 2020/21 as one-time tax and the tax expense was considered as an expenditure in the financial year 2020. Accordingly, Rs 2,670,567,000/- and Rs 3,232,510,000/- were charged against opening retained earnings of the year on account of the Bank and the Group respectively.	
		Note 16 to the financial statements - Income Tax Expense	282 - 284

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

No.	Disclosure Requirement	Disclosure Reference	Page Reference
8.	Dividend	The Board of Directors has recommended a final dividend of Rs 4.60 per share (Rs 3.45 per share in cash and Rs 1.15 per share in scrip) for the financial year ended 31st December 2022 subject to the approval of the shareholders at the Annual General Meeting to be held on 30th March 2023. The Bank will inform the Director - Bank Supervision of Central Bank of Sri Lanka, the Board approved detailed assessment carried out in deciding the payment of cash dividend for the year 2022. The Board of Directors was satisfied that the Bank would meet the solvency test immediately after the payment of final dividend proposed, in terms of the Section 31(3) of the Companies Act. The Board provided the Statement of Solvency to the Auditors and obtained a Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the statutory provision.	
		Note 18 to the financial statements - Dividend Paid and Proposed	285 - 286
9.	Reserves	Note 42 to the financial statements - Statutory Reserve Fund Note 43 to the financial statements - Other Reserves Note 44 to the financial statements - Retained Earnings Non-controlling Interest - Statement of Profit or Loss Statement of Changes in Equity	339 340 - 341 341 n/a 248 - 249
10.	Capital Expenditure	The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Bank and the Group amounted to Rs 1,197,232,000/- and Rs 2,402,409,000/- respectively (2021 Bank: Rs 648,056,000/- and Group: Rs 1,871,560,000/-).	
		Notes 29 and 30 to the financial statements - Property, Plant and Equipment and Intangible Assets	310 - 319
11.	Capital Commitments	The capital expenditure approved and contracted for as at the reporting date	
		Note 45.3 to the financial statements - Capital Commitments	344
12.	Property, Plant and Equipment (PPE)	Note 29 to the financial statements	310 - 318
13.	Market Value of Freehold Properties	All freehold lands and buildings of the Bank and the Group were revalued as at the year-end 2022 by professionally qualified independent valuers and brought into the financial statements, to ensure that the carrying amount of such properties reflects the current market prices. In determining the market/fair values, increase in building values due to the current inflationary situation in the country has been disregarded by the valuers. Accordingly, fair value changes were identified pertaining to said properties and their values were adjusted to bring current market prices into the financial statements as at 31st December 2022.	
		Note 29 to the financial statements - Property, Plant and Equipment Bank and Group	310 - 318

No.	Disclosure Requirement	Disclosure Reference	Page Reference
14.	Stated Capital, Debentures and Bonds	Stated Capital, Debt Capital and Shares issued by the Bank	
		Note 41 to the financial statements - Stated Capital	339
		Note 37 to the financial statements - Due to Debt Securities Holders	328 - 330
		Issue of Shares and Debt Capital – Subsidiaries	
		Investor information	425
		Note 37.1.1 to the financial statements - Details of Debentures Issued	329
15.	Share Information	Investor Information	421 - 425
16.	Shareholding	Investor Information	421 - 425
17.	Equitable treatment to Shareholders	The Bank has at all times ensured that all shareholders are treated fairly and equitably.	
18.	Retirement and Re-Election/ Re-Appointment of Directors	In terms of Articles No. 86 and 87 of the Articles of Association of the Company, Mr Harsha Amarasekera, Mrs Keshini Jayawardena and Mr Vinod Hirdaramani retire by rotation and being eligible, offer themselves for re-election on the unanimous recommendation of the Board Nomination Committee and approval of the Board of Directors.	
		Mr Hiran Cabraal having been appointed to the Board with effect from 30th June 2022 to fill up a casual vacancy in the Board, will stand for election by the shareholders in terms of Article 93 of the Articles of Association.	
		Board of Directors	182 -185
		Sections 210 and 211 of the Companies Act do not apply to the Bank, in view of the more stringent provision contained in Section 3 (3) (i) of Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, which restricts the age of a Director of a Licensed Commercial Bank to 70 years.	

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

No.	Disclosure Requirement	Disclosure Reference	Page Reference				
19.	List of Directors of the Subsidiaries of the Bank	Names of the Directors of Subsidiary companies as at 31st December 2022: <table><tr><td>Siyapatha Finance PLC Mr P S Cumaranatunga (Chairman) Mr Y S H R S Silva (Deputy Chairman) Mr H M A Seneviratne (Managing Director) Mr J Selvaratnam Mr J H Gunawardena Mr D Sooriyaarachchi Mr W S C Perera Ms H S R Ranatunga Mr M D B Boyagoda</td><td>SC Securities (Pvt) Limited Mr S G Wijesinha (Chairman) Mr W M P L De Alwis Mr R Samaranayake Mr S N Kulatilake</td></tr><tr><td>Sampath Centre Limited Mr I W Senanayake (Chairman) Mr R Samaranayake Mr S G Wijesinha Mr S P Kannangara Mr P P De Silva Mr Y S H R S Silva</td><td>Sampath Information Technology Solutions Limited Mr R Samaranayake (Chairman) Mr M V Indrasoma Mr M A Salgado Mr W S C Perera</td></tr></table>	Siyapatha Finance PLC Mr P S Cumaranatunga (Chairman) Mr Y S H R S Silva (Deputy Chairman) Mr H M A Seneviratne (Managing Director) Mr J Selvaratnam Mr J H Gunawardena Mr D Sooriyaarachchi Mr W S C Perera Ms H S R Ranatunga Mr M D B Boyagoda	SC Securities (Pvt) Limited Mr S G Wijesinha (Chairman) Mr W M P L De Alwis Mr R Samaranayake Mr S N Kulatilake	Sampath Centre Limited Mr I W Senanayake (Chairman) Mr R Samaranayake Mr S G Wijesinha Mr S P Kannangara Mr P P De Silva Mr Y S H R S Silva	Sampath Information Technology Solutions Limited Mr R Samaranayake (Chairman) Mr M V Indrasoma Mr M A Salgado Mr W S C Perera	
Siyapatha Finance PLC Mr P S Cumaranatunga (Chairman) Mr Y S H R S Silva (Deputy Chairman) Mr H M A Seneviratne (Managing Director) Mr J Selvaratnam Mr J H Gunawardena Mr D Sooriyaarachchi Mr W S C Perera Ms H S R Ranatunga Mr M D B Boyagoda	SC Securities (Pvt) Limited Mr S G Wijesinha (Chairman) Mr W M P L De Alwis Mr R Samaranayake Mr S N Kulatilake						
Sampath Centre Limited Mr I W Senanayake (Chairman) Mr R Samaranayake Mr S G Wijesinha Mr S P Kannangara Mr P P De Silva Mr Y S H R S Silva	Sampath Information Technology Solutions Limited Mr R Samaranayake (Chairman) Mr M V Indrasoma Mr M A Salgado Mr W S C Perera						
20.	Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act, the Bank maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Company Secretary.					
21.	Board Sub-Committees	The Board, while assuming the overall responsibility and accountability for the management oversight of the Bank, has also appointed Board Sub-Committees to ensure that the activities of the Bank at all times are conducted with the highest ethical standards and the best interests of all its stakeholders. The Board has formed twelve (12) Board Sub-Committees including four (4) mandatory Board Sub-Committees as required by the Banking Act Direction No. 11 of 2007 and one (1) mandatory Board Sub-Committee as required by Section 9 of the Listing Rules of the Colombo Stock Exchange. In addition to the five (5) mandatory Board Sub-Committees, the Board has also appointed seven (7) non-mandatory Board Sub-Committees.					
		Corporate Governance Report	168 - 181 / 432 - 466				
22.	Directors' Meetings	Composition of the Board and attendance at meetings	175				
23.	Related Party Transactions	Directors have also disclosed transactions if any, that could be classified as Related Party Transactions in terms of Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures) which is adopted in preparation of the Financial Statements. In addition, the Bank carries out transactions in the ordinary course of business in an arm's length basis with entities where the Chairman or Directors of the Bank is the Chairman or a Director of such entities as detailed in:					
		Directors' Interest in Contracts with the Bank	231				
		Note 47 to the financial statements – Related Party Disclosures	347 - 350				

No.	Disclosure Requirement	Disclosure Reference	Page Reference																																				
24.	Directors' Interest in Ordinary Shares and Debentures	<table><thead><tr><th>Name of Director</th><th>No. of Shares as at 31st December 2022</th><th>No. of Shares as at 31st December 2021</th></tr></thead><tbody><tr><td>Mr Harsha Amarasekera</td><td>-</td><td>-</td></tr><tr><td>Mr Rushanka Silva</td><td>-</td><td>-</td></tr><tr><td>Mr Dilip de S Wijeyeratne</td><td>-</td><td>-</td></tr><tr><td>Ms Aroshi Nanayakkara</td><td>-</td><td>-</td></tr><tr><td>Dr Sanjiva Weerawarana</td><td>-</td><td>-</td></tr><tr><td>Mr Vajira Kulatilaka</td><td>-</td><td>-</td></tr><tr><td>Mrs Keshini Jayawardena</td><td>-</td><td>-</td></tr><tr><td>Mr Vinod Hirdaramani</td><td>281,129</td><td>281,129</td></tr><tr><td>Mr Hiran Cabraal</td><td>-</td><td>n/a</td></tr><tr><td>Mr Nanda Fernando</td><td>1,718,988</td><td>1,718,988</td></tr><tr><td>Mr Ajantha de Vas Gunasekara</td><td>-</td><td>-</td></tr></tbody></table> n/a - not applicable Mr Nanda Fernando holds 50,000 of Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion (2021/2028) issued by the Bank. Mr Rushanka Silva, Mr Vajira Kulatilaka and Mr Vinod Hirdaramani respectively hold 2,000,000, 300,000 and 700,000 of Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion (2023/2028) issued by the Bank.	Name of Director	No. of Shares as at 31st December 2022	No. of Shares as at 31st December 2021	Mr Harsha Amarasekera	-	-	Mr Rushanka Silva	-	-	Mr Dilip de S Wijeyeratne	-	-	Ms Aroshi Nanayakkara	-	-	Dr Sanjiva Weerawarana	-	-	Mr Vajira Kulatilaka	-	-	Mrs Keshini Jayawardena	-	-	Mr Vinod Hirdaramani	281,129	281,129	Mr Hiran Cabraal	-	n/a	Mr Nanda Fernando	1,718,988	1,718,988	Mr Ajantha de Vas Gunasekara	-	-	
Name of Director	No. of Shares as at 31st December 2022	No. of Shares as at 31st December 2021																																					
Mr Harsha Amarasekera	-	-																																					
Mr Rushanka Silva	-	-																																					
Mr Dilip de S Wijeyeratne	-	-																																					
Ms Aroshi Nanayakkara	-	-																																					
Dr Sanjiva Weerawarana	-	-																																					
Mr Vajira Kulatilaka	-	-																																					
Mrs Keshini Jayawardena	-	-																																					
Mr Vinod Hirdaramani	281,129	281,129																																					
Mr Hiran Cabraal	-	n/a																																					
Mr Nanda Fernando	1,718,988	1,718,988																																					
Mr Ajantha de Vas Gunasekara	-	-																																					
25.	Directors' Interest in Shares and Debentures of Subsidiaries	Mr Rushanka Silva holds one share each at Siyapatha Finance PLC and Sampath Centre Limited.																																					
26.	Our Team Members	Capital Management Report - Human Capital	101 - 113																																				
27.	Employee Share Ownership/Option Plans (ESOP)	The Bank did not initiate or establish any Employee Share Ownership/ Option Plans during the year.																																					
28.	Environmental Protection	To the best knowledge of the Board, the Bank has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirm that to the best of their knowledge and belief, the Bank has complied with the relevant environmental laws and regulations. Capital Management Report - Natural Capital	132 - 147																																				
29.	Statutory Payments	The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the government, other regulatory bodies and related to the employees have been paid on a timely basis.																																					
30.	Outstanding Litigation	In the opinion of the Directors who in consultation with the Bank's lawyers have established that litigation currently pending against the Bank will not have a material impact on the reported financial results or the future operations of the Bank. Note 45.5 to the financial statements – Other Contingent Liabilities	345 - 346																																				
31.	Events after the Reporting Period	No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to, or disclosure in, the accounts, except those disclosed. Note 49 to the financial statements - Events After the Reporting Period	353																																				

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

No.	Disclosure Requirement	Disclosure Reference	Page Reference
32.	Going Concern	The Directors, after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed under the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the CBSL, are satisfied that the Bank has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.	
		Note 2.10.1 to the financial statements - Going Concern	254
33.	Significant Shareholdings in Other Organisations	Note 27.5 to the financial statements – Quoted Equity Security	306
34.	Risk Management and Internal Control	Material Foreseeable Risk Factors Risk Management Report	204 - 217
		Internal Controls Directors' Statement on Internal Control Over Financial Reporting	232 - 233
35.	Corporate Governance	Corporate Governance Report	168 - 181 / 432 - 466

6. NOTICE OF ANNUAL GENERAL MEETING

The 37th Annual General Meeting of the Bank will be held at "Balmoral", The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01, on 30th March 2023. The Notice of Meeting is given on page 515 of the Annual Report.

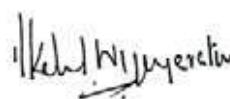
7. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

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

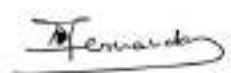
For and on behalf of the Board of Directors,



HARSHA AMARASEKERA
Chairman



DILIP DE S WIJYERATNE
Senior Independent Director



NANDA FERNANDO
Managing Director



LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

DIRECTORS' INTEREST IN CONTRACTS WITH THE BANK

Related party disclosures as required by the Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures) are detailed in Note 47 to the Financial Statements. In addition, the Bank carries out transactions in the ordinary course of business in an arm's length basis with entities where the Chairman or Director of the Bank is the Chairman or a Director of such entities as detailed below.

Company	Relationship	Nature of the Facility	Current Limit	Balance Outstanding as at 31st December 2022	Balance Outstanding as at 31st December 2021
			Rs 000	Rs 000	Rs 000
Mr Harsha Amarasekera					
Vallibel One PLC	Non Executive Independent Chairman	Deposits		7,775	30,450
		Loans & advances	504,000	102	-
CIC Agri Businesses (Pvt) Ltd	Non Executive Independent Chairman	Deposits		771	-
		Loans & advances	2,520,000	1,066,262	2,470,605
		Indirect facilities		612,744	48,950
CIC Holdings PLC	Non Executive Independent Chairman	Deposits		499,105	125,084
		Loans & advances	3,500,000	1,049,464	360,000
		Indirect facilities		1,856,835	-
Link Natural Products (Pvt) Ltd	Non Executive Director	Deposits		715,322	71,238
Millennium Airlines (Pvt) Ltd	Non Executive Director	Deposits		207	114
Swisstek Aluminium Limited	Non Executive Independent Chairman	Deposits		18,112	21,820
		Loans & advances	1,025,000	740,365	-
		Indirect facilities		-	237,869
Swisstek (Ceylon) PLC	Non Executive Independent Chairman	Deposits		646	62,247
		Loans & advances	250,000	249,559	-
		Indirect facilities		-	-
Royal Ceramics Lanka PLC	Non Executive Independent Chairman	Deposits		566,320	18,200
		Loans & advances	3,000	843	-
Expolanka Holdings PLC	Non Executive Independent Director	Loans & advances	3,000	984	-
Mr Rushanka Silva					
Indra Motor Spares (Pvt) Ltd	Director	Deposits		3	7
Indra Property Development (Pvt) Ltd	Director	Deposits		156	157
Mr Dilip de S Wijeyeratne					
Singer (Sri Lanka) PLC	Independent Non Executive Director	Deposits		1,364	-
		Loans & advances	3,802,000	2,500,926	3,744,070
		Indirect facilities	2,000,000	825,786	1,946,872
Regnis (Lanka) PLC	Independent Non Executive Director	Deposits		-	29
		Loans & advances	280,000	79,282	16,346
		Indirect facilities		121,047	229,857
Dr Sanjiva Weerawarana					
Lanka Software Foundation	Chairman	Deposits		12,410	16,513
Mr Vajira Kulatilaka					
Printcare PLC	Independent Non Executive Director	Loans & advances	360,000	201,073	496
Panasian Power PLC	Independent Non Executive Director	Deposit		8,167	9,874
		Loans & advances	105,160	105,160	99,830
Mr Vinod Hirdaramani					
Ceylon Knit Trend (Pvt) Ltd	Executive Director	Deposits		955,989	462,253
		Indirect facilities	722,000	-	-
Hirdaramani International Exports (Pvt) Ltd	Executive Director	Deposit		1,608,132	2,271,975
		Loans & advances	864,000	864,000	430,000
Long Island Clothing Company (Pvt) Ltd	Executive Director	Deposits		1,101	39,234
		Loans & advances	79,200	4,450	59,878
		Indirect facilities	100,000	-	3,978
Rosewood (Pvt) Ltd	Executive Director	Deposits		14,869	40,387
Windforce PLC	Non Independent Non Executive Director	Deposits		63	71,652
Mr Nanda Fernando					
Institute of Bankers of Sri Lanka	Director	Deposits		1,744	239,173

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

The report on Internal Control Over Financial Reporting is presented by the Board of Directors of Sampath Bank PLC in line with section 3(8)(ii)(b) of Banking Act Direction No. 11 of 2007 and with principle D.1.5 of the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Board of Directors ("the Board") is responsible for the implementation of an adequate and effective internal control mechanism at Sampath Bank PLC ("the Bank"). In doing so, the Board has ensured that the system in place is designed to manage the Bank's key areas of risk within an acceptable risk profile, to achieve the business objectives of the Bank.

In the light of the foregoing, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank in order to continuously strengthen the system of Internal Control Over Financial Reporting, in line with the regulatory guidelines and to capture changes in the business environment as and when needed. The Management assists the Board in the implementation of the Board's policies and other risks protocols aimed at identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and manage these risks.

The process is regularly reviewed by the Board, in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by CA Sri Lanka.

In 2022, the Board assessed the system of Internal Control Over Financial Reporting, taking into account, the principles set out in the aforementioned guidance. Based on

this assessment, the Board is of the view that the system of Internal Control Over Financial Reporting currently in place at the Bank, is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY FEATURES OF THE PROCESS ADOPTED IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key mechanisms that have been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Establishment of Board Sub-Committees to assist the Board in ensuring the effectiveness of Bank's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and in line with the annual budget as well as the policies and the business direction approved by the Board.
- The Bank's Internal Audit Department is tasked with verifying compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures. This helps to highlight significant findings of non-compliance. Audits are carried out according to the annual audit plan which is reviewed and approved by the Board Audit Committee. Onsite Audits, Offsite Audits, Process Audits and Thematic Audits are carried out covering all units and branches to provide independent and objective reports. The frequency of these audits are determined by the level of risk assessed. The fuel and energy crisis in 2022 called for a revised approach in executing the internal audit plan. Accordingly, online monitoring was introduced through data analysis on

selected processes using Computer Aided Audit Techniques/Tools (CAAT). However, mission critical processes continued to be monitored centrally, while thematic audits were done covering the entire Branch Network. In addition, cyber security and data security measures were also monitored through appropriate audit techniques and tools. Through these initiatives, all controls were tested on an ongoing basis with significant findings identified by the Internal Audit Department submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities and the Management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. It is also the responsibility of the Board Audit Committee to review the internal audit function with regard to the scope of audits and the quality of the same. The minutes of the Board Audit Committee meetings were forwarded to the Board on a periodic basis. Further details of the activities carried out by the Board Audit Committee during the year under review are set out in the Board Audit Committee Report on pages 190 to 193.
- For successful implementation over the process, a steering committee (Internal Control Over Financial Reporting Committee) was formulated in the Bank as a Management-level Committee whereas several other Management-level Committees (referred to in page 178) were also established and granted appropriate authorisation to ensure effective management and supervision of the core areas of the Bank's business operations.
- In assessing the Internal Control Over Financial Reporting, identified officers of the Bank were assigned to ensure compliance with all procedures and controls that are connected with

significant accounts and disclosures of the financial statements of the Bank. These in turn, were checked and verified by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis. Significant issues (if any) observed by the Internal Audit Department were referred to the "Internal Control Over Financial Reporting Steering Committee" for their comments, prior to being included in the final report on Internal Control Over Financial Reporting submitted to the Board Audit Committee and the External Auditors. Sampath Bank continues to follow the new Sri Lanka Accounting Standards comprising LKAS and SLFRS. The processes and procedures initially adopted in 2012 with regard to the aforementioned Accounting Standards were further strengthened over the period based on the feedback received from the Regulators, External Auditors, Board Audit Committee and the Internal Audit Department. The Bank has documented procedures pertaining to these new requirements and has proceeded to update the relevant procedure manuals as and when necessary. The Board also assessed the repercussions of the prolonged economic stress caused by the COVID-19 pandemic alongside the impact of the ongoing economic crisis, including the fuel and energy shortages on the business operations of the Bank and the need to build in required management overlays to the Expected Credit Loss model to address these unprecedented developments. Further, the Credit

Risk Management Unit continues to perform an independent review of the individually significant loan impairment process at each reporting date. The assessment does not include the Bank's subsidiaries.

- The Board has long since recognised the need to automate the financial reporting process in order to proactively comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments. Towards this end, the Bank successfully implemented Robotic Process Automation (RPA) in 2019 which has eliminated manual intervention in calculating impairment provisions to a greater extent. The Board continues to review various options available to increase the degree of automation in the financial reporting process.
- To ensure business continuity, protect workers and maintain uninterrupted customer service amidst current economic headwinds, social unrest and fuel and energy shortages, the Bank prudently moved certain areas of its operations online and introduced remote working arrangements.
- In 2022, the Bank further strengthened its internal control processes to ensure that the ongoing challenges due to the impact of the COVID-19 debt moratorium on interest income and impairment provisions were accurately captured in its financial reporting.

- The comments made by the External Auditors in connection with Internal Control System Over Financial Reporting in previous years, were reviewed and appropriate steps taken in 2022 to address relevant matters raised. The recommendations made by the External Auditors in 2022 in connection with the System of Internal Control Over Financial Reporting will be dealt with in the future.

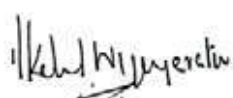
CONFIRMATION

Based on the above processes, the Board confirms that the Bank's System of Internal Control Over Financial Reporting is fully competent to provide a reasonable assurance regarding the reliability of financial reporting and support the preparation of financial statements for external purposes, in accordance with relevant accounting principles and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs Ernst & Young, after reviewing the Directors' Statement on Internal Control Over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2022, have confirmed to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the System of Internal Control Over Financial Reporting. The External Auditor's Report on the Statement of Internal Control Over Financial Reporting is given on page 234 of this Annual Report.

By order of the Board,



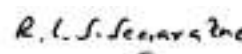
DILIP DE S WIJAYERATNE
Chairman - Board Audit Committee



HARSHA AMARASEKERA
Chairman



NANDA FERNANDO
Managing Director



LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SAMPATH BANK PLC



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Chartered Accountants
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Email: eysi@k.ey.com
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Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Sampath Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the annual report for the year ended 31 December 2022.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8)(ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional 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 compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

17 February 2023
Colombo

Partners: H N A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Ganage ACA ACMA, A P A Gunatilleke FCA FCMA, A Herath FCA, D K Hulanemayya FCA FCMA LLB (London), Ms. G G S Mahalinga FCA, A A J R Poner ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sudarshan ACA ACMA, B E Wijesuriya FCA FCMA, C A Ylagaja ACA ACMA

Principals: W S J De Silva BSc (Hons) MSc MSc-IT, G B Gaudan ACA, D L B Karunathilaka ACA, Ms. P S Paranavithana ACA ACMA LLB (Colombo), T P M Rajuru FCA FCMA

A member firm of Ernst & Young Global Limited

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT



NANDA FERNANDO
Managing Director



AJANTHA DE VAS GUNASEKARA
Executive Director/Chief Financial Officer

The Financial Statements of Sampath Bank PLC ("the Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries ("the Group") as at 31st December 2022 have been prepared in conformity with the requirements of the following:

- Sri Lanka Accounting Standards 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 and Directions, Determinations, Orders and Guidelines issued by the Central Bank of Sri Lanka (CBSL),
- The Listing Rules of the Colombo Stock Exchange (CSE),
- The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka; and Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by the CBSL.

The Group presents its financial results to its shareholders on a quarterly basis.

The formats used in the preparation of the Financial Statements and disclosures made, comply with the formats prescribed by the Central Bank of Sri Lanka, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements). The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and External Auditors. Comparative information has been restated wherever necessary to comply with the current presentation. The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. We confirm that to the best of our knowledge, the Financial Statements give a true and fair view of the assets, liabilities, financial position, results of the operations and the cash flows of the Group. We have reasonable grounds to believe that the Bank and the Group

have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the Going Concern basis in preparing the Financial Statements even after considering the potential implications on the Bank's operations and future financial performance resulting from Sri Lanka's current economic turmoil.

The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs are reasonably presented. To ensure this, the Bank and all of its Subsidiaries have taken proper and sufficient care in installing a system of internal controls and procedures for safeguarding assets, preventing and detecting frauds and/or errors 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 were consistently followed. However, there are inherent limitations that should be

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

recognised in weighing the assurances provided by any system of internal control and accounting.

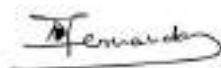
We confirm that, as of 31st December 2022 the Bank's Internal Controls Over Financial Reporting are adequate and effective and complies with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (Internal Control Over Financial Reporting - ICOFR) issued by the Central Bank of Sri Lanka. The Annual Report of the Directors on pages 221 to 231 briefly covers the Group's Internal Control Over Financial Reporting. In addition, the Directors' Statement on Internal Control Over Financial Reporting is also provided on pages 232 and 233. The Bank's External Auditors, Messrs Ernst & Young, have audited the effectiveness of the Bank's Internal Controls Over Financial Reporting and have given an unqualified opinion on page 234 of this Annual Report.

The Financial Statements of the Group were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on pages 239 to 242 of this Annual Report. The Board Audit Committee of the Bank meets periodically with the Internal Auditors and the independent External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal controls and financial reporting. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on pages 190 to 193.

The Board Audit Committee approves the audit and non-audit services provided by Messrs Ernst & Young, in order to ensure that the provision of such services does not impair Messrs Ernst & Young's independence.

We confirm that to the best of our knowledge:

- The Group has complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances; and
- There is no material litigation that is pending against the Group other than those disclosed in Note 45.5 to the Financial Statements in the Annual Report.



NANDA FERNANDO
Managing Director



AJANTHA DE VAS GUNASEKARA
Executive Director/Chief Financial Officer

17th February 2023
Colombo, Sri Lanka

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibilities of the Directors in relation to the Financial Statements of Sampath Bank PLC ("the Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries ("the Group") are set out in the following Statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the External Auditors; Messrs Ernst & Young, on pages 239 to 242.

In terms of Sections 150(1), 151, 152 and 153(1) and (2) of the Companies Act No. 07 of 2007 (Companies Act), the Directors of the Bank are responsible for ensuring that the Bank and the Group keep proper books of accounts of all transactions and prepare Financial Statements that give a true and fair view of the financial position of the Bank and the Group as at end of each financial year and of the financial performance of the Bank and the Group for each financial year and place them before the Annual General Meeting for shareholders for their approval. The Financial Statements comprise of the Statement of Financial Position as at end of the financial year, the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the financial year ended and Notes thereto.

The Financial Statements are prepared under the supervision of the Executive Director/Chief Financial Officer who is a senior member of the Corporate Management and an Executive Director of the Bank. The Directors confirm that the Financial Statements of the Bank and the Group give a true and fair view of:

- The state of affairs of the Bank and the Group as at 31st December 2022 and
- The financial performance of the Bank and the Group for the financial year ended 31st December 2022.

To support the preparation of these Financial Statements, the Directors ensure that:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- The Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of accounts;
- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected;
- The Financial Statements provide the information required by the Companies Act, Banking Act No. 30 of 1988 (Banking Act) and amendments thereto and the Listing Rules of the Colombo Stock Exchange; and
- The companies within the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

The Directors are also responsible for ensuring that the Bank and the Group have adequate resources to continue in operation, to justify applying the Going Concern basis in preparing these Financial Statements. This year too, the Directors considered the potential implications of the COVID-19 pandemic and the current economic crisis on the Group's business, operations and financial performance.

The Financial Statements of the Bank and the Group have been certified by the Executive Director/Chief Financial Officer, who is the officer responsible for its preparation, as required by the Companies Act. The Accounts have been reviewed by the Board Audit Committee

and the Board of Directors. Further, the Financial Statements of the Bank and the Group have been signed by three Directors and the Company Secretary in conformity with the requirements of the Companies Act.

The Financial Statements for the year 2022 captured in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act together with its amendments, the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Further, these Financial Statements comply with the prescribed format issued by the Central Bank of Sri Lanka (CBSL) for the preparation of annual Financial Statements of Licensed Commercial Banks. The Directors confirm that the financial reporting system of the Bank and the Group has been designed to provide reasonable assurance regarding the reliability of financial reporting and the Directors accept responsibility for the integrity and objectivity of the Financial Statements published in this Annual Report. The Directors confirm that in preparing the Financial Statements given on pages 244 to 409, appropriate accounting policies have been selected and applied on a consistent basis in line with the financial reporting framework, while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

The Directors have taken appropriate steps to ensure that the Bank and the Group maintain proper books of accounts and review the financial reporting system directly at their regular meetings and also through the Board Audit Committee.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Report of the Board Audit Committee is given on pages 190 to 193. The Board of Directors reviews the Interim Financial Statements with due consideration to the recommendation of Board Audit Committee. Interim Financial Statements are approved by the Board prior to their release.

The Directors have taken all reasonable steps available to them to safeguard the assets of the Bank and the Group and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the significant risks faced by the Bank throughout the year. These systems are kept under constant review by the Board to ensure appropriate financial and other controls are in place to enable the Bank to carry on its operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure as far as practicable, the accuracy and reliability of the records.

Based on their assessment of Internal Control Over Financial Reporting (ICOFR), in compliance with Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for the Licensed Commercial Banks issued by the Central Bank of Sri Lanka, the Directors have concluded that, as of 31st December 2022, the Group's Internal Controls Over Financial Reporting are effective. The Directors' Statement on Internal Control Over Financial Reporting and Annual Report of the Board of Directors on the Affairs of the Company are provided on pages 232 and 233 and pages 221 to 231 respectively of this Annual Report. The Independent Assurance Report on the "Directors Statement on Internal Control Over Financial Reporting" issued by the Bank's External Auditors; Messrs Ernst & Young is given on page 234 of this Annual Report.

As required by Section 56(2) of the Companies Act, the Directors have made an assessment of the Solvency of the Bank, immediately after the payment of the proposed final dividend of Rs 4.60 per share (Rs 3.45 per share in cash and Rs 1.15 per share in scrip) for the year 2022 and confirm that the Bank satisfies the Solvency Test as required by Section 57 of the Companies Act. The Directors have also obtained the Certificate of Solvency from the External Auditors.

Messrs Ernst & Young, have been provided with every opportunity to undertake the inspections they considered appropriate. They have examined the Financial Statements made available to them by the Directors along with all financial records, related data, minutes of the Shareholders' Meetings, Directors' Meetings, Board Audit Committee Meetings and other Board Sub-Committee Meetings and have expressed their opinion as reported by them in the Annual Report on pages 239 to 242.

The Directors have ensured that this Annual Report has been published in accordance with the timelines required by the Sections 166(1) and 167(1) of the Companies Act. Printed copies of this Annual Report will be made available to the shareholders of the Bank who will express their desire to receive such a copy. The digital version of the Annual Report is available on the Bank's corporate website where it is shown under the 'Investors' tab (<https://www.sampath.lk/en/investor-relations/annual-reports>).



www.sampath.lk

The digital version of the Sampath Bank PLC Annual Report 2022 has also been uploaded to the CSE website within the stipulated period of time as required by the Sections 7.5(a) and (b) of the Listing Rules of the CSE.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by Sampath Bank and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and the Group and all other known statutory dues as were due and payable by the Bank and the Group as at reporting date, have been paid or, where relevant, provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities. The Directors confirm that based on their assessment, the accounting controls are adequate and nothing has come to their attention to indicate any breakdown in the functioning of these controls that may result in material loss to the Bank. The Directors also confirm that the Bank has adequate resources to continue in operational existence and continue as a Going Concern for the foreseeable future.

The Directors are of the view that they have discharged their responsibilities as set out in the above statement.

By order of the Board,

R. L. S. Senarathne

LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



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Chartered Accountants
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ey.com

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sampath 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 2022, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank and the Group gives a true and fair view of the financial position of the Bank and the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the

context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for credit impairment on financial assets carried at amortised cost Provision for credit impairment on financial assets carried at amortised cost as stated in Notes 25.2 & 26.3 is determined by management in accordance with the accounting policies described in Note 3.4.6. This was a key audit matter due to the materiality of the reported provision for credit impairment which involved complex calculations; degree of judgements, significance of assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets.	In addressing the adequacy of the provision for credit impairment on financial assets carried at amortized cost, our audit procedures included the following key procedures. We assessed the alignment of the Bank's provision for credit impairment computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report. - We evaluated the internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management. - We checked the completeness and accuracy of the underlying data used in the impairment computation by agreeing details to relevant source documents and accounting records of the Bank.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



Key audit matter	How our audit addressed the key audit matter
Key areas of significant judgements estimates and assumptions used by management in the assessment of the provision for credit impairment included the following; - management overlays to incorporate the current economic contraction. - the incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors, in the multiple economic scenarios and the probability weighting determined for each of these scenarios.	• In addition to the above, the following procedures were performed: For loans and advances assessed on an individual basis for impairment: - We evaluated the reasonableness of credit quality assessments. - We checked the arithmetical accuracy of the underlying individual impairment calculations. - We evaluated the reasonableness of key inputs used in the provision for credit impairment made with particular focus on current economic contractions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries, debt moratoriums and status of recovery actions of the collaterals. For financial assets assessed on a collective basis for impairment: - We tested the key inputs and the calculations used in the provision for credit impairment. - We assessed whether judgements, assumptions and estimates used by the Management when estimating future cashflows, in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used based on available market data, economic scenarios considered, and probability weighting assigned to each of those scenarios. • We assessed the adequacy of the related financial statement disclosures set out in notes 25, 26 & 51.2
Information Technology (IT) systems and controls over financial reporting Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: - We obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures. - We identified and test checked relevant controls of IT systems related to the Bank's financial reporting process. - We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. - We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the bank and the actions taken to address these risks. - We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.



Other information included in the Bank's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional 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's internal controls.
- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Bank.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.

17 February 2023
Colombo

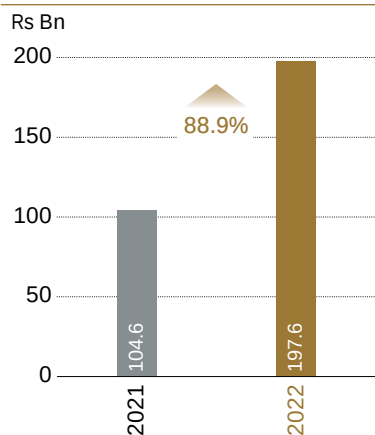
Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeevan FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACA, D L B Karunathilaka ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

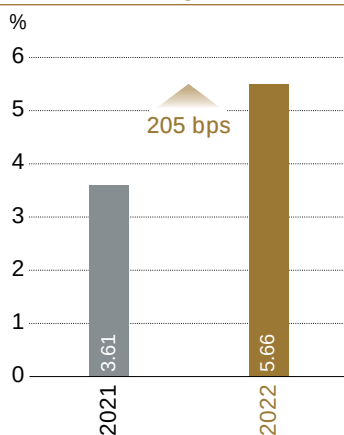
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FINANCIAL STATEMENT HIGHLIGHTS

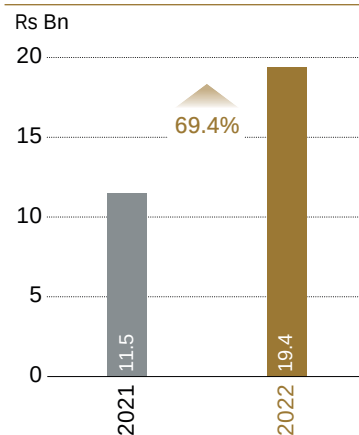
Gross Income



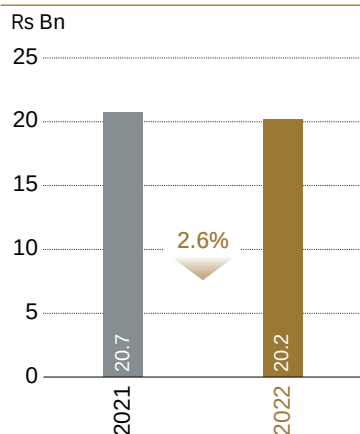
Net Interest Margin



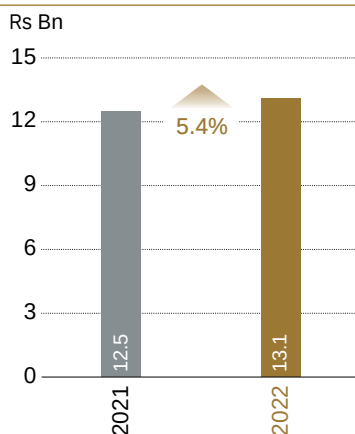
Net Fee & Commission Income



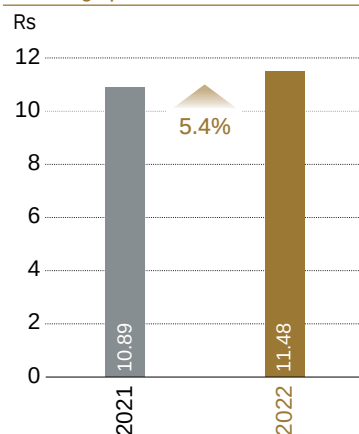
Profit before All Taxes



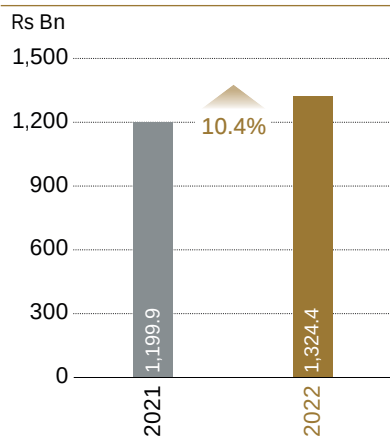
Profit after Tax



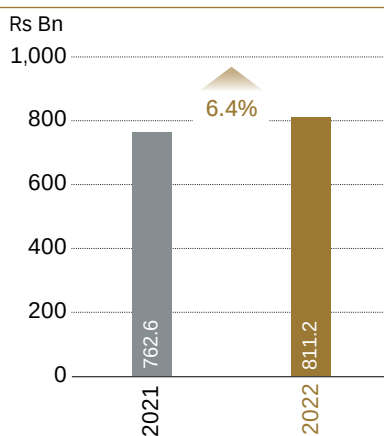
Earnings per Share



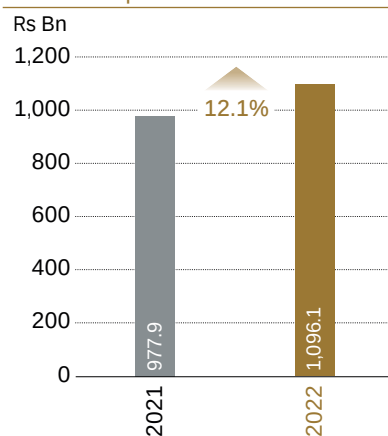
Total Assets



Financial Assets at Amortised Cost - Net Loans & Advances



Financial Liabilities at Amortised Cost - Due to Depositors



STATEMENT OF PROFIT OR LOSS

For the year ended 31st December	Note	Bank			Group		
		2022 Rs 000	2021 Rs 000	Change %	2022 Rs 000	2021 Rs 000	Change %
Gross income	6	197,570,518	104,570,303	88.9	206,002,254	113,075,143	82.2
Interest income		157,619,458	85,986,952	83.3	164,775,651	92,427,928	78.3
Less: Interest expense		84,117,088	44,317,761	89.8	88,733,558	46,909,728	89.2
Net interest income	7	73,502,370	41,669,191	76.4	76,042,093	45,518,200	67.1
Fee & commission income		21,940,763	13,239,648	65.7	22,685,656	14,236,984	59.3
Less: Fee & commission expense		2,499,396	1,764,995	41.6	2,500,860	1,765,975	41.6
Net fee & commission income	8	19,441,367	11,474,653	69.4	20,184,796	12,471,009	61.9
Net (loss)/gain from trading	9	(2,248,355)	399,243	(663.2)	(2,266,306)	399,243	(667.7)
Net gain on derecognition of financial assets	10	541,825	150,413	260.2	559,216	150,413	271.8
Net other operating income	11	19,716,827	4,794,047	311.3	20,248,037	5,860,575	245.5
Total operating income		110,954,034	58,487,547	89.7	114,767,836	64,399,440	78.2
Less: Impairment charge	12	62,706,010	17,084,814	267.0	62,908,121	18,559,200	239.0
Net operating income		48,248,024	41,402,733	16.5	51,859,715	45,840,240	13.1
Less: Operating expenses							
Personnel expenses	13	12,496,048	9,542,996	30.9	13,878,531	10,916,278	27.1
Depreciation & amortisation expenses	14	2,544,968	2,454,371	3.7	2,396,761	2,491,340	(3.8)
Other operating expenses	15	13,006,891	8,670,697	50.0	13,613,025	9,311,739	46.2
Total operating expenses		28,047,907	20,668,064	35.7	29,888,317	22,719,357	31.6
Operating profit before taxes on financial services		20,200,117	20,734,669	(2.6)	21,971,398	23,120,883	(5.0)
Less: Value added tax on financial services		4,953,917	3,900,725	27.0	5,340,457	4,295,777	24.3
Social security contribution levy		222,054	-	100.0	236,322	-	100.0
Total taxes on financial services		5,175,971	3,900,725	32.7	5,576,779	4,295,777	29.8
Profit before income tax		15,024,146	16,833,944	(10.8)	16,394,619	18,825,106	(12.9)
Less: Income tax expense	16	1,889,994	4,376,447	(56.8)	2,334,109	4,968,645	(53.0)
Profit for the year		13,134,152	12,457,497	5.4	14,060,510	13,856,461	1.5
Attributable to:							
Equity holders of the Bank		13,134,152	12,457,497	5.4	14,060,510	13,856,461	1.5
Non-controlling interest					-	-	-
		13,134,152	12,457,497	5.4	14,060,510	13,856,461	1.5
Earnings per share: Basic/Diluted (Rs)	17	11.48	10.89	5.4	12.29	12.11	1.5
Dividend per share	18						
Dividend per share: Gross (Rs)		4.60*	4.25				
Dividend per share: Net (Rs)		3.91*	4.25				

* Based on proposed dividend which is to be approved at the Annual General Meeting.

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Bank			Group		
	2022 Rs 000	2021 Rs 000	Change %	2022 Rs 000	2021 Rs 000	Change %
Profit for the year	13,134,152	12,457,497	5.4	14,060,510	13,856,461	1.5
Other comprehensive income						
Items that will be reclassified to profit or loss:						
Debt instruments at fair value through other comprehensive income:						
Loss arising on re-measurement	(4,477,620)	(1,381,203)	(224.2)	(4,477,620)	(1,381,203)	(224.2)
Reclassification to profit or loss due to derecognition	13,481	(30,313)	144.5	13,481	(30,313)	144.5
Changes in impairment for expected credit losses	538,230	34,373	1,465.9	538,230	34,373	1,465.9
Reclassification of treasury bonds at FVOCI to amortised cost	4,787,611	-	100.0	4,787,611	-	100.0
Deferred tax effect including the effect of rate change on the opening balance	(167,626)	325,010	(151.6)	(167,626)	325,010	(151.6)
Net other comprehensive income to be reclassified to profit or loss	694,076	(1,052,133)	166.0	694,076	(1,052,133)	166.0
Items that will not be reclassified to profit or loss:						
Equity instruments at fair value through other comprehensive income:						
(Loss)/gain arising on re-measurement	(3,213,837)	670,639	(579.2)	(3,213,837)	670,639	(579.2)
Exchange difference in translation	3,433,832	290,118	1,083.6	3,433,832	290,118	1,083.6
Deferred tax effect including the effect of rate change on the opening balance	(284,058)	(121,092)	(134.6)	(284,058)	(121,092)	(134.6)
	(64,063)	839,665	(107.6)	(64,063)	839,665	(107.6)
Actuarial gain on defined benefit plans	1,146,179	2,804,233	(59.1)	1,157,109	2,810,748	(58.8)
Deferred tax effect including the effect of rate change on the opening balance	(203,418)	(878,809)	76.9	(205,712)	(881,212)	76.7
	942,761	1,925,424	(51.0)	951,397	1,929,536	(50.7)
Revaluation surplus on property, plant & equipment	977,915	-	100.0	1,854,607	-	100.0
Deferred tax effect including the effect of rate change on the opening balance	(542,841)	166,311	(426.4)	(1,055,321)	331,244	(418.6)
	435,074	166,311	161.6	799,286	331,244	141.3
Net other comprehensive income not to be reclassified to profit or loss	1,313,772	2,931,400	(55.2)	1,686,620	3,100,445	(45.6)
Other comprehensive income net of tax	2,007,848	1,879,267	6.8	2,380,696	2,048,312	16.2
Total comprehensive income for the year net of tax	15,142,000	14,336,764	5.6	16,441,206	15,904,773	3.4
Attributable to:						
Equity holders of the Bank	15,142,000	14,336,764	5.6	16,441,206	15,904,773	3.4
Non-controlling interest	-	-	-	-	-	-
	15,142,000	14,336,764	5.6	16,441,206	15,904,773	3.4

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Bank			Group		
		2022	2021	Change	2022	2021	Change
		Rs 000	Rs 000	%	Rs 000	Rs 000	%
ASSETS							
Cash & cash equivalents	20	79,162,545	22,882,999	245.9	79,344,587	23,027,588	244.6
Balances with Central Bank of Sri Lanka	21	31,579,185	30,874,556	2.3	31,579,185	30,874,556	2.3
Placements with banks	22	10,927,216	2,739,514	298.9	10,927,216	2,739,514	298.9
Reverse repurchase agreements		10,072,569	2,752,011	266.0	10,299,569	4,861,922	111.8
Derivative financial instruments	23	44,598	1,399,119	(96.8)	44,598	1,399,119	(96.8)
Financial assets recognised through profit or loss - measured at fair value	24	4,641,277	3,907,704	18.8	4,822,395	3,907,704	23.4
Financial assets at amortised cost							
- loans & advances	25	811,157,649	762,588,294	6.4	839,976,738	795,804,353	5.6
- debt & other instruments	26	278,775,796	293,766,967	(5.1)	284,237,662	294,667,208	(3.5)
Financial assets - fair value through other comprehensive income	27	32,772,930	43,004,145	(23.8)	32,772,986	43,004,201	(23.8)
Investment in subsidiaries	28	3,898,512	3,503,350	11.3	-	-	-
Property, plant & equipment	29	8,910,525	7,817,923	14.0	19,067,412	16,337,516	16.7
Intangible assets	30	578,031	544,916	6.1	600,341	567,681	5.8
Right-of-use assets	31	3,540,286	3,265,318	8.4	3,265,770	3,031,790	7.7
Current tax receivables	39	-	-	-	-	4,177	(100.0)
Deferred tax assets	32	21,734,244	6,157,958	252.9	21,992,147	6,242,982	252.3
Other assets	33	26,630,974	14,708,621	81.1	28,388,956	16,162,339	75.6
Total Assets		1,324,426,337	1,199,913,395	10.4	1,367,319,562	1,242,632,650	10.0
LIABILITIES							
Due to banks	34	11,297,181	23,653,247	(52.2)	15,255,184	31,532,293	(51.6)
Derivative financial instruments	23	1,449,393	607,923	138.4	1,449,393	607,923	138.4
Securities sold under repurchase agreements		2,283,291	4,157,662	(45.1)	2,283,291	4,157,662	(45.1)
Financial liabilities at amortised cost							
- due to depositors	35	1,096,099,874	977,945,952	12.1	1,115,155,879	994,317,574	12.2
- due to other borrowers	36	9,173,923	14,434,115	(36.4)	9,173,923	14,434,115	(36.4)
- due to debt securities holders	37	25,259,536	31,006,592	(18.5)	32,872,261	37,274,207	(11.8)
Retirement benefit obligation	38	1,845,228	2,573,127	(28.3)	1,998,238	2,706,462	(26.2)
Dividend payable		187,141	148,032	26.4	187,141	148,032	26.4
Current tax liabilities	39	18,754,155	7,524,844	149.2	19,186,239	8,375,511	129.1
Deferred tax liabilities	32	-	-	-	1,465,662	979,815	49.6
Other liabilities	40	31,696,670	19,110,242	65.9	32,741,284	20,913,538	56.6
Total Liabilities		1,198,046,392	1,081,161,736	10.8	1,231,768,495	1,115,447,132	10.4

As at 31st December	Note	Bank			Group		
		2022 Rs 000	2021 Rs 000	Change %	2022 Rs 000	2021 Rs 000	Change %
EQUITY							
Stated capital	41	47,622,493	47,622,493	-	47,622,493	47,622,493	-
Reserves							
Statutory reserve fund	42	5,755,000	5,075,000	13.4	6,033,000	5,315,000	13.5
Other reserves	43	64,832,981	57,247,452	13.3	68,330,919	60,381,178	13.2
Retained earnings	44	8,169,471	8,806,714	(7.2)	13,564,655	13,866,847	(2.2)
Total equity attributable to equity holders of the Bank		126,379,945	118,751,659	6.4	135,551,067	127,185,518	6.6
Non-controlling interest					-	-	-
Total Equity		126,379,945	118,751,659	6.4	135,551,067	127,185,518	6.6
Total Liabilities & Equity		1,324,426,337	1,199,913,395	10.4	1,367,319,562	1,242,632,650	10.0
Commitments & contingencies	45	315,363,167	392,079,682	(19.6)	314,491,810	389,844,633	(19.3)
Net asset value per share (Rs)	46	110.44	103.77	6.4	118.45	111.14	6.6

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

I certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No. 07 of 2007.



AJANTHA DE VAS GUNASEKARA
Executive Director/Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board,



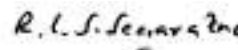
HARSHA AMARASEKERA
Chairman



NANDA FERNANDO
Managing Director



RUSHANKA SILVA
Deputy Chairman



LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

STATEMENT OF CHANGES IN EQUITY

Bank	Stated Capital (Note 41) Rs 000	Statutory Reserve Fund (Note 42) Rs 000	Other Reserves			Retained Earnings (Note 44) Rs 000	Total Equity Rs 000
			Revaluation Reserve (Note 43.1) Rs 000	FVOCI Reserve (Note 43.2) Rs 000	General Reserve (Note 43.3) Rs 000		
Balance as at 1st January 2021	47,622,493	4,450,000	2,993,599	1,838,203	46,455,786	4,188,723	107,548,804
Total comprehensive income for the year 2021							
Profit for the year	-	-	-	-	-	12,457,497	12,457,497
Other comprehensive income	-	-	166,311	(212,468)	-	1,925,424	1,879,267
Total comprehensive income for the year 2021	-	-	166,311	(212,468)	-	14,382,921	14,336,764
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders							
Final dividend for 2020: cash	-	-	-	-	-	(3,147,028)	(3,147,028)
Unclaimed dividend adjustments	-	-	-	-	13,119	-	13,119
Total contributions by and distributions to equity holders	-	-	-	-	13,119	(3,147,028)	(3,133,909)
Realised gain (net of tax) from derecognition of equity instruments at FVOCI	-	-	-	(7,098)	-	7,098	-
Transfer to reserves during the year	-	625,000	-	-	6,000,000	(6,625,000)	-
Balance as at 31st December 2021	47,622,493	5,075,000	3,159,910	1,618,637	52,468,905	8,806,714	118,751,659
Balance as at 1st January 2022	47,622,493	5,075,000	3,159,910	1,618,637	52,468,905	8,806,714	118,751,659
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	-	-	-	(2,670,567)	(2,670,567)
Adjusted balance as at 1st January 2022	47,622,493	5,075,000	3,159,910	1,618,637	52,468,905	6,136,147	116,081,092
Total comprehensive income for the year 2022							
Profit for the year	-	-	-	-	-	13,134,152	13,134,152
Other comprehensive income	-	-	435,074	630,013	-	942,761	2,007,848
Total comprehensive income for the year 2022	-	-	435,074	630,013	-	14,076,913	15,142,000
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders							
Final dividend for 2021: cash	-	-	-	-	-	(4,863,589)	(4,863,589)
Unclaimed dividend adjustments	-	-	-	-	20,442	-	20,442
Total contributions by and distributions to equity holders	-	-	-	-	20,442	(4,863,589)	(4,843,147)
Transfer to reserves during the year	-	680,000	-	-	6,500,000	(7,180,000)	-
Balance as at 31st December 2022	47,622,493	5,755,000	3,594,984	2,248,650	58,989,347	8,169,471	126,379,945

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

Group	Stated Capital (Note 41) Rs 000	Statutory Reserve Fund (Note 42) Rs 000	Other Reserves			Retained Earnings (Note 44) Rs 000	Total Equity Attributable to Equity Holders of the Bank Rs 000	Non - Controlling Interest Rs 000	Total Equity Rs 000
			Revaluation Reserve (Note 43.1) Rs 000	FVOCI Reserve (Note 43.2) Rs 000	General Reserve (Note 43.3) Rs 000				
Balance as at 1st January 2021	47,622,493	4,635,000	5,962,392	1,838,203	46,455,786	7,900,780	114,414,654	-	114,414,654
Total comprehensive income for the year 2021									
Profit for the year	-	-	-	-	-	13,856,461	13,856,461	-	13,856,461
Other comprehensive income	-	-	331,244	(212,468)	-	1,929,536	2,048,312	-	2,048,312
Total comprehensive income for the year 2021	-	-	331,244	(212,468)	-	15,785,997	15,904,773	-	15,904,773
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders									
Final dividend for 2020: cash	-	-	-	-	-	(3,147,028)	(3,147,028)	-	(3,147,028)
Unclaimed dividend adjustments	-	-	-	-	-	13,119	13,119	-	13,119
Total contributions by and distributions to equity holders	-	-	-	-	-	13,119	(3,133,909)	-	(3,133,909)
Realised gain (net of tax) from derecognition of equity instruments at FVOCI	-	-	-	(7,098)	-	7,098	-	-	-
Transfer to reserves during the year	-	680,000	-	-	6,000,000	(6,680,000)	-	-	-
Balance as at 31st December 2021	47,622,493	5,315,000	6,293,636	1,618,637	52,468,905	13,866,847	127,185,518	-	127,185,518
Balance as at 1st January 2022	47,622,493	5,315,000	6,293,636	1,618,637	52,468,905	13,866,847	127,185,518	-	127,185,518
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	-	-	-	(3,232,510)	(3,232,510)	-	(3,232,510)
Adjusted balance as at 1st January 2022	47,622,493	5,315,000	6,293,636	1,618,637	52,468,905	10,634,337	123,953,008	-	123,953,008
Total comprehensive income for the year 2022									
Profit for the year	-	-	-	-	-	14,060,510	14,060,510	-	14,060,510
Other comprehensive income	-	-	799,286	630,013	-	951,397	2,380,696	-	2,380,696
Total comprehensive income for the year 2022	-	-	799,286	630,013	-	15,011,907	16,441,206	-	16,441,206
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders									
Final dividend for 2021: cash	-	-	-	-	-	(4,863,589)	(4,863,589)	-	(4,863,589)
Unclaimed dividend adjustments	-	-	-	-	-	20,442	20,442	-	20,442
Total contributions by and distributions to equity holders	-	-	-	-	-	20,442	(4,843,147)	-	(4,843,147)
Transfer to reserves during the year	-	718,000	-	-	6,500,000	(7,218,000)	-	-	-
Balance as at 31st December 2022	47,622,493	6,033,000	7,092,922	2,248,650	58,989,347	13,564,655	135,551,067	-	135,551,067

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st December	Note	Bank		Group	
		2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Cash flows from operating activities					
Interest receipts		142,302,283	76,866,422	149,076,097	83,392,263
Interest payments		(71,003,192)	(43,695,551)	(74,978,503)	(46,500,115)
Net commission receipts		19,436,145	11,414,982	20,179,574	12,411,338
Cash payments to employees		(11,540,242)	(9,612,570)	(12,881,663)	(10,953,167)
Taxes on financial services		(3,905,145)	(4,840,804)	(4,311,899)	(5,259,880)
Receipts from other operating activities		1,549,881	429,878	2,475,703	1,652,413
Cash payments to other operating activities		(12,472,909)	(8,050,975)	(13,637,995)	(8,258,051)
Operating profit before changes in operating assets & liabilities (Note A)		64,366,821	22,511,382	65,921,314	26,484,801
(Increase)/decrease in operating assets					
Balances with Central Bank of Sri Lanka		(704,629)	(17,539,378)	(704,629)	(17,539,378)
Financial assets at amortised cost - loans & advances		(19,883,211)	(38,982,849)	(15,197,151)	(41,558,757)
Other assets		(11,082,349)	(8,726,819)	(11,437,568)	(9,125,486)
		(31,670,189)	(65,249,046)	(27,339,348)	(68,223,621)
(Decrease)/increase in operating liabilities					
Due to banks		(16,630,586)	(13,169,339)	(20,964,596)	(13,120,522)
Re-purchase agreements		(2,019,286)	782,781	(2,019,286)	1,875,781
Financial liabilities at amortised cost - due to depositors		9,159,796	81,985,590	11,407,514	81,810,841
Financial liabilities at amortised cost - due to other borrowers		(5,253,119)	(918,591)	(5,253,119)	(918,591)
Other liabilities		9,275,832	(412,389)	9,163,991	(364,703)
		(5,467,363)	68,268,052	(7,665,496)	69,282,806
Net cash generated from operating activities before income & surcharge taxes		27,229,269	25,530,388	30,916,470	27,543,986
Income tax & surcharge tax paid		(10,105,479)	(3,558,857)	(11,727,749)	(3,788,355)
Net cash generated from operating activities		17,123,790	21,971,531	19,188,721	23,755,631
Cash flows from investing activities					
Purchase of property, plant & equipment	29.1 & 29.2	(887,298)	(466,451)	(2,080,445)	(1,679,810)
Proceeds from disposal of property, plant & equipment		1,905	9,716	3,777	46,931
Net cash flow from reverse repurchase agreements		(7,250,000)	1,700,000	(5,367,089)	1,371,251
Net cash flow from financial assets - FVPL		(231,345)	5,282,016	(413,023)	5,282,016
Net cash flow from debt instruments at amortised cost		56,989,231	(12,244,128)	52,427,606	(13,110,225)
Net cash flow from financial assets - FVOCI		3,028,313	(18,772,514)	3,028,313	(18,772,514)
Purchase of intangible assets	30	(309,934)	(181,605)	(321,964)	(191,750)
Dividend received from financial assets		162,317	174,368	162,557	174,608
Dividend received from subsidiaries		-	5,123	-	-
Net cash generated from/(used in) investing activities		51,503,189	(24,493,475)	47,439,732	(26,879,493)
Cash flows from financing activities					
Proceeds from the issue of debentures	37.1	-	6,000,000	-	7,500,000
Redemption of debentures	37.1	(6,000,000)	(6,000,000)	(7,000,000)	(7,078,010)
Net proceeds from securitisation		-	-	2,163,000	(447,110)
Dividend paid		(4,863,589)	(3,147,028)	(4,863,589)	(3,147,028)
Repayment of principal portion of lease liabilities		(1,203,807)	(1,335,139)	(721,391)	(728,618)
Net cash used in financing activities		(12,067,396)	(4,482,167)	(10,421,980)	(3,900,766)
Net cash generated/(used) during the year		56,559,583	(7,004,111)	56,206,473	(7,024,628)
Net foreign exchange difference		8,357,060	214,987	8,357,060	214,987
Cash & cash equivalents at the beginning of the year		25,155,288	31,944,412	25,299,191	32,108,832
Cash & cash equivalents at the end of the year (Note B)		90,071,931	25,155,288	89,862,724	25,299,191

The comparative information of the Statement of Cash Flows has been reclassified to conform to the current year's presentation.

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

NOTE (A) RECONCILIATION OF OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

For the year ended 31st December	Note	Bank		Group	
		2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Profit before income tax		15,024,146	16,833,944	16,394,619	18,825,106
Interest income accrued on impaired loans & advances	7.1	(6,278,942)	(3,009,971)	(6,281,486)	(3,027,412)
Net loss/(gain) from trading	9				
Forward exchange contract revaluation loss/(gain)		2,195,990	(635,628)	2,195,990	(635,628)
Net mark to market loss - government & equity securities		56,287	238,326	74,238	238,326
Dividend income		(3,922)	(1,941)	(3,922)	(1,941)
Net (gain)/loss on derecognition of financial assets	10				
Financial assets FVPL		(555,306)	(114,418)	(572,697)	(114,418)
Financial assets FVOCI		13,481	(30,313)	13,481	(30,313)
Financial assets - amortised cost		-	(5,682)	-	(5,682)
Net other operating income	11				
Dividend income from financial assets FVOCI		(162,245)	(172,427)	(162,485)	(172,667)
Dividend income from subsidiaries		(395,163)	(157,699)	-	-
Profit on disposal of property, plant & equipment		(1,641)	(2,007)	(2,092)	(3,459)
Net impairment charge	12	62,706,010	17,084,814	62,908,121	18,559,200
Personnel expenses					
Charge/(reversal) on gratuity & pension	13	531,437	(891,364)	572,499	(858,679)
Other non-cash personnel expenses		372,806	344,679	386,808	358,130
Depreciation & amortisation expenses	14				
Depreciation of property, plant & equipment		771,878	767,104	1,196,384	1,190,237
Amortisation of intangible assets		279,017	390,304	297,980	415,758
Amortisation of right-of-use assets		1,494,073	1,296,963	902,397	885,345
Accrual for interest & commission income		(14,759,565)	(8,017,707)	(15,139,400)	(7,915,400)
Accrual for interest expense		13,113,896	622,210	13,755,055	409,613
Other accruals & non-cash income/expense		(10,035,416)	(2,027,805)	(10,614,176)	(1,631,315)
Operating profit before changes in operating assets/liabilities		64,366,821	22,511,382	65,921,314	26,484,801

NOTE (B) RECONCILIATION OF CASH & CASH EQUIVALENTS

As at 31st December	Note	Bank		Group	
		2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Local currency in hand	20	18,206,833	19,308,886	18,358,248	19,443,575
Foreign currency in hand	20	3,560,890	692,285	3,560,890	692,285
Balances with local banks	20	174,876	341,803	205,543	351,723
Balances with foreign banks	20	55,413,612	2,137,788	55,413,612	2,137,788
Money at call and short notice	20	1,907,621	500,418	1,907,621	500,418
Placements less than three months	22	10,929,771	2,739,907	10,929,771	2,739,907
Unfavourable balances with local & foreign banks	34.2	(121,672)	(565,799)	(512,961)	(566,505)
Cash & cash equivalents at the end of the year		90,071,931	25,155,288	89,862,724	25,299,191

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

NOTE (C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank		Group		
	Debentures	Finance Lease Liability	Debentures	Finance Lease Liability	Securitisation
	(Note 37.1) Rs 000	(Note 31.1) Rs 000	(Note 37.1) Rs 000	(Note 31.1) Rs 000	(Note 37) Rs 000
Balance as at 1st January 2021	28,031,975	3,779,635	33,872,527	3,210,792	447,924
Cash flows from financing activities					
Proceeds from the issue of debentures	6,000,000	-	7,500,000	-	-
Redemption of debentures/securitisation	(6,000,000)	-	(7,078,010)	-	(447,110)
Repayment of principal portion of lease liabilities	-	(1,335,139)	-	(728,618)	-
Non cash changes					
Additions during the year	-	1,282,115	-	1,011,474	-
Net accrual/payment of interest	(35,856)	-	(30,783)	-	(814)
Balance as at 31st December 2021	27,996,119	3,726,611	34,263,734	3,493,648	-
Balance as at 1st January 2022	27,996,119	3,726,611	34,263,734	3,493,648	-
Cash flows from financing activities					
Net proceeds from securitisation	-	-	-	-	2,163,000
Redemption of debentures	(6,000,000)	-	(7,000,000)	-	-
Repayment of principal portion of lease liabilities	-	(1,203,807)	-	(721,391)	-
Non cash changes					
Additions during the year	-	1,769,040	-	1,136,377	-
Net accrual/payment of interest	(22,603)	-	(53,082)	-	212,589
Balance as at 31st December 2022	21,973,516	4,291,844	27,210,652	3,908,634	2,375,589

The Notes to the Financial Statements from pages 253 to 409 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. General

Sampath Bank PLC ('The Bank'), is a domiciled, public limited liability company incorporated in Sri Lanka on 10th March 1986 under the Companies Act No. 17 of 1982. It is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988 (Banking Act) and amendments thereto. The Bank was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No. 07 of 2007 (Companies Act) on 28th April 2008 under the name of Sampath Bank PLC. The registered office of the Bank is located at No. 110, Sir James Peiris Mawatha, Colombo 02. The shares of the Bank have a primary listing on the Colombo Stock Exchange (CSE). The unsecured subordinated debentures of the Bank are also listed on the CSE. The staff strength of the Bank as at 31st December 2022 was 3,948 (2021: 4,013).

1.2. Consolidated Financial Statements

The Consolidated Financial Statements of the Bank as at and for the year ended 31st December 2022 comprise the Bank (Parent Company) and its Subsidiaries (together referred to as the "Group" and individually as "Group entities"). The subsidiaries of the Bank as at 31st December 2022 were Sampath Centre Ltd, SC Securities (Pvt) Ltd, Siyapatha Finance PLC and Sampath Information Technology Solutions Ltd.

Sampath Bank PLC is the ultimate parent of the Group.

The Financial Statements of all companies in the Group have a common financial year which ends on 31st December.

1.3. Principal Activities and Nature of Operations

1.3.1. Bank

The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and retail banking, project financing, trade finance, treasury and investment services, issuing of credit cards and debit cards, off-shore

banking, resident and non-resident foreign currency operations, electronic banking services such as: telephone banking, internet banking, mobile banking and money remittance facilities, pawning, leasing, factoring, travel related services and dealing in government securities etc.

1.3.2. Subsidiaries

Ownership of subsidiaries as of 31st December 2022 and 31st December 2021 is given in Note 28 to the Financial Statements. There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Consolidated Financial Statements of the Group and the Separate Financial Statements of the Bank, which comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in the Circular No. 02 of 2019 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also publish annual and quarterly financial information and other disclosures in the Press and the Website in compliance with Section 4.2 of the aforementioned Circular.

2.2. Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements of the Group and the Bank as per Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

The Board of Directors acknowledges their responsibility for financial statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company" (pages 221 to 231), "Statement of Directors' Responsibility for Financial Reporting" (pages 237 to 238) and the certification on the Statement of Financial Position on page 247.

2.3. Approval of Financial Statements by Directors

The Financial Statements of the Group as at and for the year ended 31st December 2022 were authorised for issue by the Board of Directors in accordance with the resolution of the Board of Directors on 17th February 2023.

2.4. Basis of Measurement

The Financial Statements of the Group have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Derivative financial instruments are measured at fair value (Note 23)
- Financial assets held at fair value through other comprehensive income (FVOCI) are measured at fair value (Note 27)
- Financial assets recognised through profit or loss (FVPL) are measured at fair value (Note 24)
- Land and buildings which are measured at cost at the time of acquisition subsequently measured at revalued amounts, which are the fair values at the date of revaluation (Note 29)
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation less the fair value of the plan assets (Note 38)

NOTES TO THE FINANCIAL STATEMENTS

2.5. Functional and Presentation Currency

The Financial Statements of the Group are presented in Sri Lankan Rupees (Rs), which is the currency of the primary economic environment in which Sampath Bank PLC operates. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Group's presentation and functional currency during the year under review.

2.6. Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 52 to the Financial Statements.

2.7. Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.8. Comparative Information

The comparative information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation.

2.9. Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the direct method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), money at call and short notice, net of unfavourable local & foreign bank balances.

2.10. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Group are as follows:

2.10.1. Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Directors have considered the impact of the current adverse macro-economic conditions on the business operations of the Group including a possible restructuring/hair-cut on government debts, in making this assessment. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.10.2. Impairment Losses on Loans and Advances

The measurement of impairment losses under Sri Lanka Accounting Standards - SLFRS 9 (Financial Instruments) across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following.

- The Group's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL basis
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under Note 3.4.6 to the Financial Statements.

In response to the unprecedented macro-economic conditions experienced during the year, key assumptions used in the Group's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.4.6.7, while the impact on changing the weightages of different macro-economic scenarios during the year are given in Note 51.2.1(c). As at the reporting date, the expected impacts of the adverse macro-economic conditions have been captured via the modelled outcome as well as separate management overlays reflecting the considerable uncertainty remaining in the modelled outcome. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions were revised in response to the current economic crisis, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The Group continued to extend the moratorium for eligible borrowers as directed by the Central Bank of Sri Lanka during the year 2022. All customers who were under moratorium for a prolonged period of time have been classified at least under stage 2 on a prudent basis even though such customers no longer enjoyed the moratorium as at 31st December 2022. A case-by-case analysis has been conducted on the individually significant customers and classified as stage 3 when the circumstances demand so. Collateral values were appropriately discounted to reflect the current market value. The exposures which are not individually significant have been moved to stage 2 based on the industry risk of the underlying borrowers.

The assumptions used to calculate the allowance for overlay for moratorium loans as at 31st December 2021 were further fine-tuned during the year based on the post moratorium movements of the customers' arrears buckets. Accordingly, the allowance for overlay was increased for the customers who continued to enjoy further concessions as at 31st December 2022. Further, additional allowance for overlay has been recognised on personal customers considering the possible decrease in repayment capacity due to increase in inflation, interest rates and income tax rates.

A breakdown of the loans and advances of the Bank/Group classified under stage 2 is given in Note 51.2.1(e). Sensitivity of the individually significant loan impairment to recovery cash flows is given in Note 51.2.1(c) while sensitivity of collective impairment provision to the staging of the loans and advances is disclosed in Note 51.2.1(d).

2.10.3. Impairment of Other Financial Assets

The Group reviews its debt securities classified as FVOCI/amortised cost at each reporting date. Objective evidence that a debt security held at FVOCI/amortised cost

is impaired/having an increased credit risk includes, among other things, significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date. The Bank classified its investment in Sri Lanka Development Bonds and Sri Lanka Sovereign Bonds under stage 2 having considered the debt restructuring arrangement of the government of Sri Lanka.

Equity instruments classified as FVOCI are not subjective for impairment assessment.

2.10.4. Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in more detail in Note 3.4.11.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 50.4 and 50.6.

2.10.5. Financial Assets and Liabilities Classification

The Group's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 19, 'Analysis of Financial Instruments by Measurement Basis'.

NOTES TO THE FINANCIAL STATEMENTS

2.10.6. Taxation

The Group is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The details of deferred tax computation is given in Note 32 to the Financial Statements.

2.10.7. Defined Benefit Plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future pension increases if any. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rate and expected future salary increase rates of the Group.

2.10.8. Fair Value of Property, Plant and Equipment

The freehold land and buildings of the Group are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses. The Group engages independent valuation specialists to determine fair value of

freehold lands and buildings in terms of the Sri Lanka Accounting Standard-SLFRS 13, (Fair Value Measurement). The details of freehold land and buildings, including methods of valuation are given in Note 29.3 and 29.4 to the Financial Statements. The Group revalued its freehold lands and buildings as at 31st December 2022 and necessary adjustments were included in the financial statements.

2.10.9. Useful Lifetime of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.10.10. Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 45.

2.10.11. Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Group has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are

accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Group assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties. Currently the Group does not have any investment property.

2.10.12. SLFRS 16 – Leases

The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. It also uses judgement in the determination of the discount rate in the calculation 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. As the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Group would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with similar security in similar economic environment. Further, the Group applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

3. GENERAL ACCOUNTING POLICIES

The general accounting policies of the Group have been applied consistently to all periods presented in the Financial Statements except as specified in Note 2.8, Comparative Information. Set out below is an index of accounting policies, the details of which are available on the pages that follow:

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3.1. Basis of Consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank and its subsidiaries in terms of the Sri Lanka Accounting Standard - SLFRS 10 (Consolidated Financial Statements). The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit and the Off-Shore Banking Unit.

3.2. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Sri Lanka Accounting Standard-SLFRS 3 (Business Combinations).

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. When excess is negative, a bargain purchase gain is recognised immediately in profit or loss, if controlling power is acquired.

The changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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3.3. Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other operating income' in the Statement of Profit or Loss. 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 rate of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on equity instruments classified as fair value through other comprehensive income, financial liabilities designated as a hedge of a net investment in a foreign operation, or qualifying cash flow hedges are recognised in other comprehensive income.

Forward exchange contracts are valued at the forward market rates ruling on the reporting date. Resulting net unrealised

gains or losses are dealt within the Statement of Profit or Loss under 'Net gain/loss from trading'.

3.4. Financial Instruments - Initial Recognition, Classification and Subsequent Measurement

3.4.1. Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to depositors when funds are transferred to the Group.

3.4.2. Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.4.3.1(a) and 3.4.3.1(b). Financial instruments are initially measured at their fair value.

Except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

3.4.2.1 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation

technique whose variables include only data from observable markets, the Group recognises the difference between the transaction price and fair value ('Day 1' profit or loss) in the Statement of Profit or Loss over the tenor of the financial instrument using the effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.4.3. Measurement Categories of Financial Assets and Liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 3.4.3.1
- FVOCI as explained in Notes 3.4.3.5 and 3.4.3.6
- FVPL

The Group classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 3.4.3.2 and 3.4.3.3. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.4.3.4

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, derivative instruments or the fair value designation is applied, as explained in Notes 3.4.3.2, 3.4.3.3, 3.4.3.4 and 3.4.3.7.

3.4.3.1. Loans and advances to customers, debt and other instruments, reverse repurchase agreements

The Group only measures loans and advances to customers, debt and other instruments and reverse repurchase agreements at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of collecting contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

3.4.3.1(a). Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.4.3.1(b). The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3.4.3.2. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, cross-currency swaps, forward exchange contracts etc. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 23. Changes in the fair value of derivatives are included in net gain/(loss) from trading unless hedge accounting is applied. The Group has not applied hedge accounting for any of its derivatives during the years ended 31st December 2022 and 2021.

3.4.3.2(a). Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way, similar to a stand-alone derivative.

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An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contracts, are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above), their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the income statement. Derivatives embedded in financial assets are no longer separated. Instead, they are classified based on the business model and SPPI assessments as outlined in Notes 3.4.3.1(a) and 3.4.3.1(b).

3.4.3.3. Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend

income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investments that have been acquired principally for the purpose of selling or repurchasing in the near term. The Group does not have any financial liabilities classified as held for trading as at 31st December 2022.

3.4.3.4. Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the "Own credit reserve" through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being integral parts of the instrument.

3.4.3.5. Debt instruments at FVOCI

The Group applies this category for debt instruments when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise government securities.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The ECL calculation for debt instruments at FVOCI is explained in Note 3.4.6.5. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

3.4.3.6. Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments at FVOCI when they meet the definition of equity

under Sri Lanka Accounting Standard - LKAS 32 (Financial Instruments: Presentation) and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss under other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.4.3.7. Securities sold under repurchase agreements, due to banks, due to depositors, other borrowers and debt securities holders

After initial measurement, securities sold under repurchase agreements, due to banks, due to depositors, due to other borrowers and due to debt securities holders are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds and costs that are an integral part of the EIR. The Group does not have compound financial instruments which contains both liability and equity components and require separation as at the date of the issue.

3.4.3.8. Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and the ECL provision.

The premium received is recognised in the income statement under net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are within the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments are disclosed in Note 45, while the corresponding ECL is disclosed under Note 40, "Other liabilities".

3.4.4. Reclassification of Financial Assets and Liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group may acquire, dispose of, or terminates a business line (change in business model). However, considering the recent unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued a "Statement of Alternative Treatment (SoAT) on Reclassification of Debt portfolio" which provided a one-off option for the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVOCI) to Amortised Cost. Although there were no business model changes, using the above SoAT, the Group reclassified its treasury bond portfolio as at 1st April 2022 from FVOCI to Amortised Cost.

When the Group reclassifies its financial assets it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value

is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. The details of financial assets reclassified from FVOCI to amortised cost during the year are given in Note 27.8.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

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When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

3.4.5 Derecognition of Financial Assets and Liabilities

3.4.5.1 Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.4.5.2. Derecognition other than for substantial modification

3.4.5.2(a). Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset
- Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents

including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset
- Or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

3.4.5.2(b). Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a

derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.4.6. Impairment Allowance for Financial Assets

3.4.6.1. Overview of the ECL principles

The Group calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 13 of 2021 & No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities/ Other Financial Assets in Licensed Banks. Accordingly, the Group has been recording impairment (expected credit losses) for all loans, debt & other financial instruments not held at FVPL, together with loan commitments, financial guarantee contracts, letter of credit and acceptances. Equity instruments are not subject to impairment under SLFRS 9.

Impairment is based on the credit losses expected to arise over the life of the asset [the lifetime expected credit loss or (LTECL)], when there is a significant increase in credit risk since origination. In all other instances, the impairment is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 3.4.6.1(b).

The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The policy for grouping financial assets measured on a collective basis is explained in Note 3.4.6.4. The details of individual assessment of ECLs are given in Note 3.4.6.3.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 3.4.6.1(b). Based on the above process, the Group categorises its loans into 'stage 1', 'stage 2', 'stage 3' and 'originated credit impaired', as described below:

- Stage 1: When loans are first recognised, the Group recognises an impairment based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2 and stage 3.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an impairment for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.
- Stage 3: Loans considered credit-impaired [as outlined in Note 3.4.6.1(a)]. The Group records an impairment for the LTECLs.
- Originated credit impaired: Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at initial recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Group did not have originated credit impaired loans as at 31st December 2022 and 2021.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

This is considered a (partial) derecognition of the financial asset.

3.4.6.1(a). Definition of default and cure

The Group considers a financial instrument as defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

Such events include:

- Customer's Internal Risk Rating (CIRR) is below C + or any down grading of the CIRR by two notches or more from the previous year
- Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a customer/group of customers
- A significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers
- The value of collateral is significantly reduced and/or realisability of collateral is doubtful
- The borrower is subject to litigation that significantly affects the performance of the credit facility
- Frequent changes in the board of directors and senior management of an institutional customer
- Delay in commencement of business operations/projects by more than two years from the originally agreed date

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- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc.
- The borrower is deceased/insolvent
- Bank is unable to contact or find the borrower
- A fall of 50% or more in the turnover and/or profit before tax of the borrower when compared to the previous year, for two consecutive years
- Erosion of net-worth of the borrower by more than 25% (other than due to changes in equity structure and dividend policy) when compared to the previous financial year

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the material default criteria have been presented.

Once cured, the decision whether to classify an asset as stage 2 or stage 1 largely depends on the days past due, at the time of the cure. The corresponding reduction in ECL is recognised under "Impairment charge/reversal" in Note 12 to the financial statements.

The Group's criterion for 'cure' for rescheduled/restructured loans is more stringent than ordinary loans and is explained in Note 3.4.6.11.

3.4.6.1(b). Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Group also applies secondary qualitative methods for triggering a significant increase in credit risk, such as restructuring of an asset while the asset is less than 30 days past due. Further, rescheduled loans will remain in stage 2 for at least one year from the date of reschedulement even if such loans become less than 30 days past due. In certain cases, the Group may also consider that events explained in Note 3.4.6.1(a) are significant increase in credit risk as opposed to a default, particularly for customers who are considered as individually significant and investment in other financial assets.

The Group is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and the subsequent unprecedented macro-economic conditions, offering a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonged period of time have been classified at least under stage 2 on a prudent basis when calculating the impairment provisions. Furthermore, a case-by-case analysis has been conducted on the most significant exposures and have been classified as stage 3 when the circumstances demand so. The exposures which are not individually significant have been moved to stage 2 based on the industry risk of the underlying borrowers. The Group has identified industries such as tourism, vehicle imports, construction (including condominiums), transport and storing etc. as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2. An analysis of the loans classified under stage 2 is given in Note 51.2.1(e)

3.4.6.2. The calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case,

best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received from selling the asset.

Key elements of the ECL calculations are outlined below:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 3.4.6.4(a).
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.4.6.4(b).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.4.6.4(c).

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 3.4.6.6, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

3.4.6.3. Calculation of ECLs for individually significant loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 3.4.6.1(a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. In determining the expected future cash flows, the Group takes in to account the base case, the best case and the worst case scenarios considering various modes of settlement of the impaired credit facilities. Impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;

- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Bank and the likelihood of other creditors continuing to support the company;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The ability of the borrower to obtain and make payments in the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy

3.4.6.4. Grouping financial assets measured on a collective basis

The Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include:

- All customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be not impaired such customers are moved back to collective ECL calculation.
- The treasury, trading and interbank relationships (such as due from banks, debt and other instruments at amortised cost/FVOCI)

For all other asset classes, the Group calculates ECL on a collective basis. The Group categorises these exposures into smaller homogeneous portfolios, based on a combination of internal and external

characteristics of the loans, as described below:

- Product type
- Type of collateral
- Industry of the borrower
- Whether the loan is restructured/rescheduled

3.4.6.4(a). The internal rating and PD estimation process

The Bank and its' subsidiary, Siyapatha Finance PLC have their own internal rating models. These models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Although these PDs are used for regulatory purposes, the same is not used for PD estimation under SLFRS 9.

PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most banks in the country at present.

Accordingly, exposures are categorised among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into adverse DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

However, for loans granted to banks, debt & other financial instruments classified as amortised cost/FVOCI, the Group relies on external credit ratings in determining their respective PDs.

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3.4.6.4(b). Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a stage 1 loan, the Group assesses the possible default events within 12 months. However, if a stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. For stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

3.4.6.4(c). Loss given default

LGD values are assessed at least annually for each material collateral type. The Group segregates its customer loan book based on following major types of collaterals when calculating the LGD.

- Secured against cash/deposits held within the bank
- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against listed shares
- Secured against lease receivables

These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction

characteristics (e.g. product type, collateral type) as well as borrower characteristics. Further, recent data and forward-looking economic scenarios are used in order to determine the LGD for each collateral type. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

For financial investments other than loans and advances, the Group uses the LGD rates specified by the regulator in the Basel III guidelines when calculating the ECL as per SLFRS 9.

3.4.6.5. Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the impairment that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

3.4.6.6. Credit cards and other revolving facilities

The Bank's product offering includes credit card facilities and other revolving products, in which the Bank has the right to cancel and/or reduce the facilities with a very short notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period of 12 months to reflect the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

3.4.6.7. Forward looking information

The economic environment remains uncertain and future impairment charges may be impacted depending on the longevity of the current economic crisis.

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs. The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In 2022, the Group changed the values of the key macro-economic variables in the impairment calculation model including the GDP growth rate, unemployment rate, interest rate, exchange rate etc. These values have been determined based on the most recent forecasts available as at the date of the calculation.

To reflect the economic uncertainties in the calculation of expected credit losses, the Group also revisited the weightages assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2021.

	2022	2021
Base Case	10%	45%
Best Case	5%	5%
Worst Case	85%	50%

To ensure completeness and accuracy, the Group obtains the above data primarily from the Central Bank of Sri Lanka (CBSL). Other third party sources such as World Bank and International Monetary Fund etc is also used when CBSL data is not available. The Bank's internal Research Unit reviews the inputs used and the weights attributed to multiple scenarios.

3.4.6.8. Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible.

The collateral comes in various forms, such as cash, securities, letter of credit/ guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting

agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and to fall in line with the CBSL directives.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

3.4.6.9. Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to the relevant asset category at the lower of the repossessed value or the carrying value of the original secured asset. The Bank did not transfer any repossessed assets to its property, plant and equipment during the years ended 31st December 2022 and 2021.

3.4.6.10. Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is past due for 7 years, based on historical experience on recovery of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

Total value of loans written off during the year are given in Note 25.2. Although the Bank has written-down these loans, it retains the enforcement rights on the full capital until the legal proceedings are concluded.

3.4.6.11. Rescheduled and restructured loans

The Group sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, rather than taking possession of the collateral. The Group considers a loan as rescheduled/restructured, when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Rescheduling/restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor rescheduled/restructured loans to ensure that future payments are likely to occur. When the Group reschedule/restructure a loan facility of a customer, the entire portfolio of the customer is classified as minimum stage 2 at the modification date. The Group also considers whether such assets should be classified as stage 3. Rescheduled customers will remain in stage 3/stage 2 for at least one year even if the days past due of the rescheduled loan facility is less than 30 days. Restructured loans are upgraded to stage 1 by the Bank's Risk Department based on their independent evaluation of the customers. If the upgraded rescheduled/restructured loans become past due (for more than 30 days) on a later date, loss allowance reverts to being measured at an amount equal to life time expected credit losses. Details of restructured/rescheduled loans are

disclosed in Note 51.2.1(f). If modifications are substantial, the loan is derecognised, as explained in Note 3.4.5.1.

3.4.6.12. Relief measures to assist businesses and individuals affected by COVID-19 and unprecedented macro-economic conditions

Central Bank of Sri Lanka provided financial assistance to disrupted industry sectors and the affected businesses/individuals in the form of debt moratoriums through licensed banks/financial institutions. The Group actively involved in providing assistance to affected customers under these moratorium schemes. Accordingly, moratorium was extended for the customers who continued to experience cash flow difficulties during the year 2022. The 4th phase of the CBSL moratorium completed on 30th June 2022 for the borrowers in the tourism sector. Upon completion of the 4th phase of the moratorium, CBSL requested licenced banks to offer further concessions (in the form of deferment of capital and/or interest, restructuring of credit facilities etc) on need basis, to the individuals and businesses, whose income or the business has been adversely affected by the current macro-economic conditions. The Group concluded that the modifications to loan contracts consequent to the above concessions were not substantial to derecognise the original loans and therefore it continued to recognise the original loans in its financial statements. The Group continued to recognise interest at the rates specified by the CBSL on the deferred capital, during the period of deferment. Accordingly, the Group did not require to recognise any modification losses during the year.

However, when calculating the expected credit losses, the Group classified all individually significant customers who were under moratorium for a prolonged period of time under stage 2 on a prudent basis. Furthermore, a case-by-case analysis has been conducted on the most significant exposures and have been classified as

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stage 3 when the circumstances demand so. Further, an additional provision has been recognised in the Financial Statements as at 31st December 2022 as an allowance for overlay on account of all customers enjoyed the CBSL moratorium.

3.4.7. Modification of Financial Instruments in the Context of Interest Rate Benchmark Reform – Phase 2 Amendments

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost is changed as a result of interest rate benchmark reform (IBOR reform), the Group updates the effective interest rate of the financial asset or financial liability similar to a floating rate financial instrument and does not derecognise or adjust the carrying amount (the practical expedient). This practical expedient is applied only when the modification is required as a direct consequence of IBOR reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by the interest rate benchmark reform, then the Group sequentially updates the effective interest first to reflect the change required by IBOR reform and then applies its policies on modification or derecognition of financial assets and financial liabilities.

3.4.8. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position only when the Group has a legal right to set-off the recognised amounts and it intends either to settle 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 LKASs/SLFRSs or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.4.9. Hedge Accounting

The Group designates certain derivatives as either:

- Hedges of fair value of recognised assets, liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- Hedges of net investments in foreign operations (net investment hedges)

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group did not designate any derivative as a hedging instrument during the years ended 31st December 2022 and 2021

3.4.10. Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.4.11. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects

its non-performance risk. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). 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 at 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 at 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 (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at 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 not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of 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.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.5. Leases

At inception of a contract, the Group assesses whether the 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 a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

3.5.1 Group as the Lessee

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 on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 20 years.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements 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 Groups' incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments such as Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a

corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right of use assets under Note 31 to the financial statements while the corresponding lease liability is presented in Note 40, 'Other Liabilities'.

3.5.1.1. Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Group recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.5.2. Group as the Lessor

When the Group acts as a lessor, it determines at least inception whether each 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 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 assets.

When the Group is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 25, 'Loans and advances'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

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3.6. Fiduciary Assets

The Group provides fiduciary services that result in the holding of assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Group.

3.7. 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.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets used in fulfilling the contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.8. Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.9. Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less cost of disposal. 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.

3.10. Other Taxes

3.10.1. Value Added Tax (VAT)

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits & provisions relating to terminal benefits.

3.10.2. Social Security Contribution Levy

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022. SSCL is payable on 100% of the value addition attributable to financial services.

The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

3.11. Regulatory Provisions

3.11.1. Deposit Insurance and Liquidity Support Scheme

All Licensed Commercial Banks were required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" in terms of the Banking Act Direction No. 2 of 2021, issued on 06th August 2021. The Bank's total capital ratio as at 31st December 2021 exceeded 14% and accordingly the Bank paid a premium of 0.10% of the eligible deposits as deposit insurance premium, during the year ended 31st December 2022. Deposit insurance premium expense of the Bank/Group is given in Note 15 to the Financial Statements.

3.11.2. Crop Insurance Levy

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No. 30 of 1988, Finance Business Act No. 42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 1st April 2013.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

Accounting Standard	Description	Effective Date	Assessment of the Impact on the Group/Bank
SLFRS 3 - Business Combinations	The amendment replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.	1st January 2022	No material impact on the Financial Statements of the Bank/Group
LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets	Amendment specifies the costs that an entity needs to include when assessing whether a contract is onerous or loss-making.	1st January 2022	No material impact on the Financial Statements of the Bank/Group
LKAS 16 - Property, Plant and Equipment	Amendment prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item of property, plant and equipment.	1st January 2022	No material impact on the Financial Statements of the Bank/Group

Apart from the above, there were no new accounting standards/amendments to existing accounting standards that became effective during the year. The Group has applied all relevant accounting standards which have been issued up to 31st December 2022 in the preparation of the Financial Statements for the year ended 31st December 2022.

5. ACCOUNTING STANDARDS/AMENDMENTS ISSUED BUT NOT YET EFFECTIVE AS AT 31ST DECEMBER 2022

The following new Sri Lanka Accounting Standards/amendments which have been issued by the Institute of Chartered Accountants of Sri Lanka is effective for annual periods beginning on or after 1st January 2023/2025.

Accounting Standard	Description	Effective Date	Assessment of the Impact on the Group/Bank
Amendments to LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	The amendments clarify the following. - Distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. - How entities use measurement techniques and inputs to develop accounting estimates. - A change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.	1st January 2023	No material impact on the Financial Statements of the Bank/Group
Amendments to LKAS 1 - Presentation of Financial Statements	- Replaces the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose 'material' accounting policies. - Provides guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. - Specify the requirements for classifying liabilities as current or non-current.	1st January 2023	No material impact on the Financial Statements of the Bank/Group
Amendments to LKAS 12 - Income Taxes	The amendments introduce an exception to the initial recognition exemption in LKAS 12. The effect of these amendments essentially mean that the initial recognition exemption is not available for transactions which involve the recognition of both an asset and liability which in turn leads to equal and opposite temporary differences. Therefore, deferred taxes are calculated and booked for both temporary differences, at initial recognition and subsequently.	1st January 2023	No material impact on the Financial Statements of the Bank/Group
Sri Lanka Accounting Standard - SLFRS 17 (Insurance Contracts)	SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 (Insurance Contracts).	1st January 2025	No material impact on the Financial Statements of the Bank/Group

NOTES TO THE FINANCIAL STATEMENTS

6 GROSS INCOME

ACCOUNTING POLICY

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 7 - Net Interest Income, Note 8 - Net Fee and Commission Income, Note 9 - Net (Loss)/Gain from Trading and Note 10 - Net Gain on Derecognition of Financial Assets.

For the year ended 31st December	Note	Bank		Group	
		2022	2021	2022	2021
		Rs 000	Rs 000	Rs 000	Rs 000
Interest income	7.1	157,619,458	85,986,952	164,775,651	92,427,928
Fee & commission income	8	21,940,763	13,239,648	22,685,656	14,236,984
Net (loss)/gain from trading	9	(2,248,355)	399,243	(2,266,306)	399,243
Net gain on derecognition of financial assets	10	541,825	150,413	559,216	150,413
Net other operating income	11	19,716,827	4,794,047	20,248,037	5,860,575
		197,570,518	104,570,303	206,002,254	113,075,143

7 NET INTEREST INCOME

ACCOUNTING POLICY

Recognition of Interest Income

The Group recognises interest income for all financial instruments measured at amortised cost, interest-bearing financial assets measured at FVOCI and FVPL using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the Income Statement.

When a financial asset becomes credit-impaired [as set out in Note 3.4.6.1(a)] and is, therefore, 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 calculating interest income on a gross basis.

7.1 Interest Income

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Placements with banks	579,168	194,059	580,318	194,059
Financial assets recognised through profit or loss - measured at fair value	870,330	431,623	870,330	431,623
Reverse repurchase agreements	167,031	269,627	285,624	386,956
Financial assets at amortised cost				
- loans & advances	117,837,726	61,008,589	124,206,091	67,313,779
- debt & other instruments	27,487,927	18,624,774	28,153,468	18,625,790
Interest income accrued on impaired loans & advances (Note 25.2)	6,278,942	3,009,971	6,281,486	3,027,412
Financial assets - fair value through other comprehensive income	4,398,334	2,448,309	4,398,334	2,448,309
	157,619,458	85,986,952	164,775,651	92,427,928

7.2 Interest Expense

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Due to banks	707,483	1,421,552	1,995,720	1,890,347
Securities sold under repurchase agreements (Note 7.3)	5,305,493	205,078	5,262,143	196,882
Financial liabilities at amortised cost				
due to depositors	73,677,806	38,307,965	76,183,079	39,661,625
due to other borrowers	447,100	491,523	447,100	491,523
due to debt securities holders	3,453,444	3,637,408	4,389,923	4,352,565
Interest rate SWAP	102,186	70,400	102,186	70,400
Finance leases (Notes 31.1)	423,576	183,835	353,407	246,386
	84,117,088	44,317,761	88,733,558	46,909,728
Net interest income	73,502,370	41,669,191	76,042,093	45,518,200

7.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Interest income	31,742,892	21,095,759	32,527,026	21,214,104
Interest expense (Note 7.2)	(5,305,493)	(205,078)	(5,262,143)	(196,882)
Net interest income from government securities	26,437,399	20,890,681	27,264,883	21,017,222

8 NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of an acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Expenses on Account of Customer Loyalty Program

Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Expense incurred for customer loyalty program is accounted under fee and commission expense.

Other Fee and Commission Expense

Other fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

8 NET FEE AND COMMISSION INCOME CONTD.

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Fee & commission income	21,940,763	13,239,648	22,685,656	14,236,984
Fee & commission expense	(2,499,396)	(1,764,995)	(2,500,860)	(1,765,975)
Net fee & commission income	19,441,367	11,474,653	20,184,796	12,471,009
Comprising:				
Loans & advances	1,643,688	1,543,218	1,953,214	1,823,670
Credit & debit cards	5,806,497	3,473,342	5,806,497	3,473,342
Trade & remittances	8,660,900	3,458,994	8,660,900	3,458,994
Deposits	526,362	462,066	526,379	462,085
Guarantees	566,567	650,878	566,629	650,942
Other banking & financial services	2,237,353	1,886,155	2,671,177	2,601,976
Net fee & commission income	19,441,367	11,474,653	20,184,796	12,471,009

9 NET (LOSS)/GAIN FROM TRADING

ACCOUNTING POLICY

Net (loss)/gain from trading includes all the gains and losses from changes in fair value and dividend from financial assets measured at fair value through profit or loss. Dividend income is recognised when the Group's right to receive the payment is established. This category also includes foreign exchange differences arising from derivative contracts which are not designated as hedging instruments.

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Derivative financial instruments				
Forward exchange contract revaluation (loss)/gain				
- Inter bank	(1,752,084)	1,813,164	(1,752,084)	1,813,164
- Others	(443,906)	(1,177,536)	(443,906)	(1,177,536)
Financial assets recognised through profit or loss – measured at fair value				
Government Securities				
Net mark to market loss	(128,670)	(231,521)	(128,670)	(231,521)
Equity Securities				
Net mark to market gain/(loss)	72,383	(6,805)	54,432	(6,805)
Dividend income	3,922	1,941	3,922	1,941
	(2,248,355)	399,243	(2,266,306)	399,243

10 NET GAIN ON DERECOGNITION OF FINANCIAL ASSETS**ACCOUNTING POLICY**

Net gain/(loss) on derecognition of financial assets include realised gain/(loss) related to financial assets measured at fair value through profit or loss, debt instruments measured at FVOCI and financial instruments measured at amortised cost.

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Recognised at:				
- fair value through profit or loss	555,306	114,418	572,697	114,418
- fair value through other comprehensive income	(13,481)	30,313	(13,481)	30,313
- amortised cost	-	5,682	-	5,682
	541,825	150,413	559,216	150,413

11 NET OTHER OPERATING INCOME

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Exchange income				
- Inter bank	3,281,409	(1,215,853)	3,281,409	(1,215,853)
- Others	15,175,164	5,428,990	15,175,164	5,428,990
Dividend income from financial assets at FVOCI	162,245	172,427	162,485	172,667
Dividend income from subsidiaries	395,163	157,699	-	-
Profit on disposal of property, plant & equipment	1,641	2,007	2,092	3,459
Rental & other income	701,205	248,777	1,626,887	1,471,312
	19,716,827	4,794,047	20,248,037	5,860,575

- 11.1** Exchange income represents both revaluation gain/(loss) on the Bank's net open position and realised exchange gain/(loss) on foreign exchange contracts including the Bank's currency notes operation. Loss on forward exchange contracts amounting to Rs 2,196 Mn (2021: profit of Rs 636 Mn) is reported under Note 9, 'Net (loss)/gain from trading' as required by the Sri Lanka Accounting Standard SLFRS 9 (Financial Instruments). Accordingly total exchange income of the Bank & the Group for the year ended 31st December 2022 amounted to Rs 16,261 Mn (2021: Rs 4,849 Mn).

NOTES TO THE FINANCIAL STATEMENTS

12 IMPAIRMENT CHARGE/(REVERSAL)

ACCOUNTING POLICY

The accounting policies adopted in determining the impairment allowance for financial assets including loans and advances are given in Note 3.4.6 to the Financial Statements.

For the year ended 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Cash & cash equivalents (Note 20.2)				
Stage 1	(46,940)	61,817	(46,920)	61,822
Stage 2	-	-	-	-
Stage 3	-	-	-	-
	(46,940)	61,817	(46,920)	61,822
Placements with banks (Note 22.2)				
Stage 1	2,162	(54)	2,162	(54)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
	2,162	(54)	2,162	(54)
Financial assets at amortised cost - loans & advances (Note 25.2)				
Stage 1	5,098,043	864,257	5,081,396	776,790
Stage 2	20,554,192	9,763,769	20,703,899	10,213,725
Stage 3	28,691,655	2,080,800	28,656,170	3,209,022
	54,343,890	12,708,826	54,441,465	14,199,537
Financial assets at amortised cost - debt & other instruments (Note 26.3)				
Stage 1	(5,625,277)	3,713,213	(5,625,277)	3,713,213
Stage 2	12,894,749	-	12,894,749	-
Stage 3	(7,369)	(7,529)	(7,369)	(7,529)
	7,262,103	3,705,684	7,262,103	3,705,684
Financial assets at fair value through other comprehensive income (Note 43.2)				
Stage 1	-	34,373	-	34,373
Stage 2	538,230	-	538,230	-
Stage 3	-	-	-	-
	538,230	34,373	538,230	34,373
Credit related commitments & contingencies (Note 45.2)				
Stage 1	639,857	150,146	669,949	113,173
Stage 2	288,329	270,739	288,329	270,739
Stage 3	(320,818)	153,283	(320,818)	153,283
	607,368	574,168	637,460	537,195
Property, plant & equipment (Note 29.3)	(803)	-	(803)	-
Others	-	-	74,424	20,643
	62,706,010	17,084,814	62,908,121	18,559,200

12.1 Measurement of Expected Credit Losses

12.1 (a) Loans and advances

The Bank witnessed an increasing number of customers going into arrears in 2022, amidst severe economic stress triggered by lack of foreign reserves, fuel crisis, social unrest, political instability etc. As a result, impairment charge for Stage 3 loans and advances amounted to Rs 28.7 Bn for the year ended 31st December 2022.

The Group evaluated, all individually significant customers showing signs of default and adequate provisioning made in the Financial Statements. When assessing the impairment provision for large exposures, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were also applied.

Meanwhile the Group extended various relief measures, including restructuring and reschedulement options to assist the customers during these challenging times. The 5th phase of the CBSL moratorium was also granted to eligible customers. All these relief packages offered to customers heightened the Group's credit risk. Furthermore, it was determined that rising inflation, high interest rates and income tax rates were some of the other key concerns likely to impact the repayment capacity of individuals and businesses in the medium to short term. Accordingly, the Group also revisited its collective impairment models to ensure that they sufficiently capture the increased risk. As explained in Note 3.4.6.1(b), the Bank prudently classified some exposures under Stage 2 with additional provisions recognised as allowance for overlays. In addition, the Probability of Default (PD), Loss Given Default (LGD) rates and the Economic Factor Adjustment were updated based on the most recent recovery and market data available as at the reporting date. Further, LGD rates were adjusted incorporating a discount on property values where applicable. These resulted in further increasing the impairment provisions during the year, particularly for loans classified under Stage 1 and Stage 2.

12.1 (b) Sri Lanka Development Bonds (SLDB) and Sri Lanka Sovereign Bonds (SLISB)

The Group recognised an impairment charge of Rs 7.8 Bn on account of SLDBs and SLISBs during the year, following the downgrade of the country's sovereign rating and the announcement made by the Government in April 2022 stating the Government's intention to restructure its external public debt. Total impairment provision on account of SLDBs/SLISBs amounted to Rs 18.3 Bn as at 31st December 2022.

13 PERSONNEL EXPENSES

ACCOUNTING POLICY

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.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under 'Personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability under 'Other liabilities' in Note 40.

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund. Further, the subsidiary companies contribute 12% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to "Defined Contribution Plans" as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, the pension fund, staff gratuity and the Employees' Provident Fund of the Bank were considered as defined benefit plans as per Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

NOTES TO THE FINANCIAL STATEMENTS

13 PERSONNEL EXPENSES CONTD.

Pension Fund

The Bank has a pension fund for all members who joined the Bank for permanent employment before 1st June 2003. A member is eligible for a monthly pension after attainment of the retirement age and completion of 10 years uninterrupted service. The Bank measures the present value of the pension obligation, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit (PUC) method as required by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits). An actuarial valuation is carried out at every year end to ascertain the full liability under the Fund.

The Bank's obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of any defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. 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 Bank. 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.

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset) at the beginning of the annual period. 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 increase in the pension fund liabilities attributable to the services provided by employees, who are members of the Fund, during the year ended 31st December 2022 (current service cost) has been recognised in the Statement of Profit or Loss under 'Personnel expenses' together with the net interest income/expense. The Bank recognises the total actuarial gain/loss that arise in calculating the Bank's obligation in respect of a plan in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are early withdrawals from service and retirement on medical grounds, death before and after retirement etc.

The assets of the fund are held separately from those of the Bank's assets and are administered independently. The subsidiaries do not operate pension funds.

Gratuity

In compliance with the Gratuity Act No. 12 of 1983, provision is made in the accounts from the first year of service, for gratuity payable to employees who joined the Bank on or after 1st June 2003, as they are not in pensionable service of the Bank. Provision is not made in the accounts for gratuity payable to employees who joined prior to 1st June 2003 and completed five or more years of continuous service, as the Bank has its own non-contributory pension scheme in force. However, if employees who are eligible for pension resign before retirement age, the Bank is liable to pay gratuity to such employees.

An actuarial valuation is carried out at every year end to ascertain the full liability under gratuity.

The gratuity liability is not externally funded. All subsidiary companies too carry out actuarial valuations to ascertain their respective gratuity liabilities.

The Group determines the interest expense on this defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Group's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31st December 2022 (current service cost) has been recognised in the Statement of Profit or Loss under 'Personnel expenses' together with the net interest expense. The Group recognises the total actuarial gain/loss that arise in calculating the Group's obligation in respect of gratuity, in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawals from service and retirement on medical grounds etc.

Employees' Provident Fund - Bank

Employees' Provident Fund is an approved private provident fund which has been set up to meet the provident fund liabilities of the Bank to which the Bank and employees contribute 12% and 8% respectively on the salary of each employee. Employees who are members of the fund, entitle to receive interest at a guaranteed rate of National Savings Bank one-year fixed deposit rate (net of income tax) on their balance even if the fund earns a lower return from its investment in a given financial year. Accordingly, this obligation was treated as a defined benefit liability and an actuarial valuation was conducted to value the Bank's obligation on the same.

Unutilised Accumulated Leave

The Bank's liability towards 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. The Bank's net obligation towards unutilised accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. 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 obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilised accumulated leave including any actuarial gain/(loss) is recognised in the Statement of Profit or Loss under 'Personnel expenses' in the period in which they arise.

The Group's net obligation to pension fund, gratuity, EPF interest guarantee and unutilised accumulated annual leave is disclosed under Note 38 to the Financial Statements.

Share Based Payment Transactions

The Group does not have any share-based payment transactions in force as at 31st December 2022.

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Salaries & bonus	9,892,897	8,874,188	11,023,766	10,017,551
Contributions to EPF & ETF	921,022	859,815	1,017,933	949,501
Provision on gratuity (Note 38.1.2)	332,972	251,756	374,034	284,441
Charge/(reversal) on pension fund (Note 38.4.2)	198,465	(1,143,120)	198,465	(1,143,120)
Others	1,150,692	700,357	1,264,333	807,905
	12,496,048	9,542,996	13,878,531	10,916,278

- 13.1 In 2021, the Bank recognised a gain of Rs 1,959 Mn (Note 38.4.2) on account of pension fund due to change in the retirement age from 55 to 60 years. Accordingly, the Bank reported a net reversal of Rs 1,143 Mn on account of the pension fund in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

14 DEPRECIATION AND AMORTISATION EXPENSES

ACCOUNTING POLICY

Depreciation of Property, Plant and Equipment

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates, on a straight-line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Improvements to leasehold properties are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold lands are not depreciated.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Asset Category	Depreciation Rate per Annum (%)	
	2022	2021
Freehold buildings	2.50	2.50
Improvements to leasehold properties	10.00 - 20.00	20.00
Computer equipment - Freehold	15.00 - 25.00	15.00 - 25.00
Motor vehicles	12.50 - 20.00	12.50 - 20.00
Office equipment	5.00 - 20.00	5.00 - 20.00
Fixtures & fittings	4.00 - 20.00	4.00 - 20.00

Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Group. The Group assumes that there is no residual value for its intangible assets.

Asset Category	Amortisation Rate per Annum (%)	
	2022	2021
Computer software	25.00	25.00
Licenses	5.00 - 33.33	5.00 - 33.33

Amortisation of Right-of-Use Assets

The right of use assets are depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 20 years.

Changes in Estimates

Depreciation/amortisation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. During the year ended 31st December 2022, the Group conducted an operational efficiency review and estimates were revised accordingly.

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Depreciation of property, plant & equipment (Note 29)	771,878	767,104	1,196,384	1,190,237
Amortisation of intangible assets (Note 30)	279,017	390,304	297,980	415,758
Amortisation of right-of-use assets (Note 31)	1,494,073	1,296,963	902,397	885,345
	2,544,968	2,454,371	2,396,761	2,491,340

15 OTHER OPERATING EXPENSES

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Directors' fees & expenses	97,853	82,868	158,451	139,638
Auditors' remuneration (Note 15.1)	45,684	22,911	55,037	31,065
Professional & legal expenses	628,728	102,443	652,631	133,197
Deposit insurance premium	1,060,346	914,403	1,086,560	938,858
Donations	1,000	802	1,000	802
Operating lease expenses	245,553	108,044	296,052	136,086
Office administration expenses	3,542,298	2,637,892	3,551,030	2,670,724
Establishment expenses	1,623,055	1,392,027	1,813,429	1,552,608
Other overhead expenses (Note 15.2)	5,762,374	3,409,307	5,998,835	3,708,761
	13,006,891	8,670,697	13,613,025	9,311,739

15.1 Auditors' Remuneration

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Audit fees	14,465	12,595	18,897	15,682
Audit related fees & expenses	10,575	3,736	10,695	5,162
Non - audit expenses	20,644	6,580	25,445	10,221
	45,684	22,911	55,037	31,065

15.2 Other overhead expenses include advertising and business promotion expenses, credit card related expenses and other miscellaneous expenses incurred on day to day operations of the Bank/Group.

NOTES TO THE FINANCIAL STATEMENTS

16 INCOME TAX EXPENSE

ACCOUNTING POLICY

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income. The Group applied IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment" in the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over the income tax treatment.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the Inland Revenue (Amendment) Act No. 45 of 2022, at the rates specified in Note 16.2 to the Financial Statements.

Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes for all Group entities. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities/(receivables) and deferred tax liabilities/(assets) are given in Note 39 and Note 32 to the Financial Statements respectively.

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Current tax expense				
Current tax based on profit for the year (Note 39.1)	16,671,170	7,224,162	17,277,470	8,270,591
(Over)/under provision in respect of previous years				
Due to change in deductible loan loss provision method (Note 16.5)	2,376,727	-	2,445,580	-
Due to rate reduction (Note 16.3.1)	-	(817,459)	-	(882,241)
Other (reversals)/charges including settlements (Note 39.1)	(383,674)	-	(412,906)	19,076
Total current tax expense	18,664,223	6,406,703	19,310,144	7,407,426
Deferred tax (reversal)/expense				
Due to rate (increase)/decrease (Note 16.3)	(1,775,695)	724,646	(1,798,395)	678,048
Due to change in deductible loan loss provision method (Note 32.1)	(2,618,024)	-	(2,686,877)	-
Due to change in temporary differences	(12,380,510)	(2,754,902)	(12,490,763)	(3,116,829)
Total deferred tax reversal (Note 32.1)	(16,774,229)	(2,030,256)	(16,976,035)	(2,438,781)
Total income tax expense	1,889,994	4,376,447	2,334,109	4,968,645
Effective tax rate	12.6%	25.9%	14.2%	26.4%

16.1 Reconciliation of the Accounting Profit to Current Tax Expense

For the year ended 31st December	Bank				Group			
	2022		2021		2022		2021	
	%	Rs 000	%	Rs 000	%	Rs 000	%	Rs 000
Profit before tax		15,024,146		16,833,944		16,394,619		18,825,106
Tax effect on accounting profit before tax	26.1	3,923,296	24.0	4,040,147	26.4	4,334,513	24.0	4,518,025
Tax effect on								
Disallowable expenses	99.7	14,974,073	26.1	4,389,686	93.7	15,363,139	27.7	5,204,107
Tax deductible expenses	(3.2)	(483,251)	(2.3)	(388,133)	(4.2)	(696,349)	(3.3)	(622,807)
Exempt income	(11.6)	(1,742,948)	(4.9)	(817,538)	(10.6)	(1,742,948)	(4.3)	(817,538)
Income from other sources	-	-	-	-	0.1	19,115	-	3,224
Tax losses	-	-	-	-	-	-	(0.1)	(14,420)
Current tax based on profit for the year (Note 39.1)	111.0	16,671,170	42.9	7,224,162	105.4	17,277,470	44.0	8,270,591
(Over)/under provision in respect of previous years (Note 39.1)								
Due to change in deductible loan loss provision method (Note 16.5)	15.8	2,376,727	-	-	14.9	2,445,580	-	-
Due to rate reduction (Note 16.3.1)	-	-	(4.9)	(817,459)	-	-	(4.7)	(882,241)
Other (reversals)/charges including settlements	(2.6)	(383,674)	-	-	(2.5)	(412,906)	0.1	19,076
Deferred tax (reversal)/expense (Note 32.1)								
Due to rate (increase)/decrease (Note 16.3)	(11.8)	(1,775,695)	4.3	724,646	(11.0)	(1,798,395)	3.6	678,048
Due to change in deductible loan loss provision method (Note 32.1)	(17.4)	(2,618,024)	-	-	(16.4)	(2,686,877)	-	-
Due to change in temporary differences	(82.4)	(12,380,510)	(16.4)	(2,754,902)	(76.2)	(12,490,763)	(16.6)	(3,116,829)
Total income tax expense	12.6	1,889,994	25.9	4,376,447	14.2	2,334,109	26.4	4,968,645

NOTES TO THE FINANCIAL STATEMENTS

16 INCOME TAX EXPENSE CONTD.

16.2 Applicable Income Tax Rates

Company	2022		2021
	1st Six months	2nd Six months	
Sampath Bank PLC	24%	30%	24%
S C Securities (Pvt) Ltd	24%	30%	24%
Siyapatha Finance PLC	24%	30%	24%
Sampath Centre Ltd	24%	30%	24%
Sampath Information Technology Solutions Ltd	24%	30%	24%

The Group was liable for income tax on local dividend received for first six months of the year of assessment 2022/2023 at 14% and second six months of the year of assessment at 15% (2021: 24%).

16.3 Change in Income Tax Rate

16.3.1 For the year ended 31st December 2021

The Group applied the revised rate of 24% and other amendments in line with the Inland Revenue Amendment Act No. 10 of 2021 to calculate the income tax and deferred tax assets/liabilities as at 31st December 2021.

16.3.2 For the year ended 31st December 2022

The Group computed the income tax liability for first six months of the year of assessment 2022/2023 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability of the Group for second six months of the year of assessment 2022/2023. The deferred tax assets/liabilities of the Group as at 31st December 2022 were computed using the revised income tax rate of 30%.

16.4 Surcharge Tax

The Government of Sri Lanka imposed a one-time tax, referred to as Surcharge Tax, at the rate of 25% on companies that have earned a taxable income in excess of Rs 2 Bn for the year of assessment 2020/2021. According to the Surcharge Tax Act No. 14 of 2022, the Surcharge Tax shall be deemed to be an expenditure in the financial statements commenced on 1st January 2020. Based on the Surcharge Tax Act requirements and the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, the Group has recognised the total liability to the Surcharge Tax as an adjustment to the opening retained earnings as at 1st January 2022.

16.5 Change in deductible loan loss provision method for income tax

According to the government gazette No. 2064/57 dated 1st April 2018, specific loan loss provisions made in accordance with the CBSL directives had been allowed as claimable loan loss provisions for income tax purpose up to 31st December 2021. However, as per gazette No. 2305/05 dated 25th October 2022, provisions for impairment charges of Stage 1 and 2 have not been considered claimable. Consequently, only Stage 3 impairment provisions (subject to conditions) have been considered as claimable loan loss provisions for tax purpose in the current year. Specifications of the Gazette has been applied from 1st January 2022. Accordingly, the transition adjustment as at 1st January 2022 has been calculated separately based on the new law and required adjustments made in the Financial Statements.

17 EARNINGS PER SHARE

ACCOUNTING POLICY

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 equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. The Group did not have any dilutive potential ordinary shares as at 31st December 2022.

17.1 Earnings per Share: Basic/Diluted

	Bank		Group	
	2022	2021	2022	2021
Amount used as the numerator				
Profit after tax for the year attributable to equity holders (Rs)	13,134,152,314	12,457,497,152	14,060,509,726	13,856,460,848
No. of ordinary shares used as the denominator				
Weighted average number of ordinary shares (Note 17.1.1)	1,144,373,955	1,144,373,955	1,144,373,955	1,144,373,955
Basic/diluted earnings per ordinary share (Rs)	11.48	10.89	12.29	12.11

17.1.1 Weighted Average Number of Ordinary Shares for Basic/Diluted EPS

Bank & Group

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2022	2021	2022	2021
Number of shares in issue as at 1st January	1,144,373,955	381,457,985	1,144,373,955	381,457,985
Add:				
Increase in number of shares due to sub-division of shares	-	762,915,970	-	762,915,970
Number of shares in issue/weighted average number of shares as at 31st December	1,144,373,955	1,144,373,955	1,144,373,955	1,144,373,955

18 DIVIDEND PAID AND PROPOSED

ACCOUNTING POLICY

Provision for final dividend and interim dividend (scrip) are recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. However, interim cash dividend is recognised when the Board approves such dividend in accordance with the Companies Act No. 07 of 2007 and its amendments.

	2022	2021
	Rs 000	Rs 000
Final dividend paid for the years 2021 & 2020 respectively		
Out of dividend received	149,535	11,628
Out of normal profit	4,714,054	3,135,400
Cash dividend paid	4,863,589	3,147,028
Dividend per Ordinary Share (Rs)	4.25	2.75
Final dividend proposed for the years 2022 (Note 18.1) & 2021 respectively		
Out of dividend received	561,330	149,535
Out of normal profit	4,702,790	4,714,054
Cash/Scrip dividend payable	5,264,120	4,863,589
Dividend per Ordinary Share (Rs)	4.60	4.25

NOTES TO THE FINANCIAL STATEMENTS

18 DIVIDEND PAID AND PROPOSED CONTD.

- 18.1** The Board of Directors has recommended a final dividend of Rs 4.60 per share (Rs 3.45 per share in cash and Rs 1.15 per share in scrip) for the financial year ended 31st December 2022 subject to the approval of the shareholders at the Annual General Meeting to be held on 30th March 2023.
- 18.2** In accordance with Sri Lanka Accounting Standard - LKAS 10 (Events after the Reporting Period), above proposed final dividend has not been recognised as a liability as at the year end. Necessary disclosures have been made under Note 49 to the Financial Statements, "Events after reporting period" as required by the said standard.
- 18.3** As per the Inland Revenue Amendment Act No. 45 of 2022, the proposed final dividend for the year ended 31st December 2022 is subject to a Withholding Tax (WHT) of 15% (2021: Nil). Accordingly, total Withholding Tax liability on dividend proposed for the year ended 31st December 2022 amounted to Rs 789.6 Mn.

19 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

ACCOUNTING POLICY

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) under headings of the Statement of Financial Position.

19.1 Analysis of Financial Instruments by Measurement Basis - Bank

	Note	As at 31st December 2022			
		Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total
		Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash & cash equivalents	20	-	79,162,545	-	79,162,545
Balances with Central Bank of Sri Lanka	21	-	31,579,185	-	31,579,185
Placements with banks	22	-	10,927,216	-	10,927,216
Reverse repurchase agreements		-	10,072,569	-	10,072,569
Derivative financial instruments	23	44,598	-	-	44,598
Financial assets recognised through profit or loss - measured at fair value	24	4,641,277	-	-	4,641,277
Financial assets at amortised cost					
- loans & advances	25	-	811,157,649	-	811,157,649
- debt & other instruments	26	-	278,775,796	-	278,775,796
Financial assets - fair value through other comprehensive income	27	-	-	32,772,930	32,772,930
Other assets		-	21,174,017	-	21,174,017
Total Financial Assets		4,685,875	1,242,848,977	32,772,930	1,280,307,782
Financial Liabilities					
Due to banks	34	-	11,297,181	-	11,297,181
Derivative financial instruments	23	1,449,393	-	-	1,449,393
Securities sold under repurchase agreements		-	2,283,291	-	2,283,291
Financial liabilities at amortised cost					
- due to depositors	35	-	1,096,099,874	-	1,096,099,874
- due to other borrowers	36	-	9,173,923	-	9,173,923
- due to debt securities holders	37	-	25,259,536	-	25,259,536
Dividend payable		-	187,141	-	187,141
Other liabilities		-	24,725,468	-	24,725,468
Total Financial Liabilities		1,449,393	1,169,026,414	-	1,170,475,807

19.2 Analysis of Financial Instruments by Measurement Basis - Bank

	Note	As at 31st December 2021			
		Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total
		Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash & cash equivalents	20	-	22,882,999	-	22,882,999
Balances with Central Bank of Sri Lanka	21	-	30,874,556	-	30,874,556
Placements with banks	22	-	2,739,514	-	2,739,514
Reverse repurchase agreements		-	2,752,011	-	2,752,011
Derivative financial instruments	23	1,399,119	-	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	24	3,907,704	-	-	3,907,704
Financial assets at amortised cost					
- loans & advances	25	-	762,588,294	-	762,588,294
- debt & other instruments	26	-	293,766,967	-	293,766,967
Financial assets - fair value through other comprehensive income	27	-	-	43,004,145	43,004,145
Other assets		-	10,645,606	-	10,645,606
Total Financial Assets		5,306,823	1,126,249,947	43,004,145	1,174,560,915
Financial Liabilities					
Due to banks	34	-	23,653,247		23,653,247
Derivative financial instruments	23	607,923	-		607,923
Securities sold under repurchase agreements		-	4,157,662		4,157,662
Financial liabilities at amortised cost					
- due to depositors	35	-	977,945,952		977,945,952
- due to other borrowers	36	-	14,434,115		14,434,115
- due to debt securities holders	37	-	31,006,592		31,006,592
Dividend payable		-	148,032		148,032
Other liabilities		-	14,807,819		14,807,819
Total Financial Liabilities		607,923	1,066,153,419		1,066,761,342

NOTES TO THE FINANCIAL STATEMENTS

19 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS CONTD.

19.3 Analysis of Financial Instruments by Measurement Basis - Group

	Note	As at 31st December 2022			
		Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total
		Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash & cash equivalents	20	-	79,344,587	-	79,344,587
Balances with Central Bank of Sri Lanka	21	-	31,579,185	-	31,579,185
Placements with banks	22	-	10,927,216	-	10,927,216
Reverse repurchase agreements		-	10,299,569	-	10,299,569
Derivative financial instruments	23	44,598	-	-	44,598
Financial assets recognised through profit or loss - measured at fair value	24	4,822,395	-	-	4,822,395
Financial assets at amortised cost					
- loans & advances	25	-	839,976,738	-	839,976,738
- debt & other instruments	26	-	284,237,662	-	284,237,662
Financial assets - fair value through other comprehensive income	27	-	-	32,772,986	32,772,986
Other assets		-	22,481,685	-	22,481,685
Total Financial Assets		4,866,993	1,278,846,642	32,772,986	1,316,486,621
Financial Liabilities					
Due to banks	34	-	15,255,184	-	15,255,184
Derivative financial instruments	23	1,449,393	-	-	1,449,393
Securities sold under repurchase agreements		-	2,283,291	-	2,283,291
Financial liabilities at amortised cost					
- due to depositors	35	-	1,115,155,879	-	1,115,155,879
- due to other borrowers	36	-	9,173,923	-	9,173,923
- due to debt securities holders	37	-	32,872,261	-	32,872,261
Dividend payable		-	187,141	-	187,141
Other liabilities		-	25,350,978	-	25,350,978
Total Financial Liabilities		1,449,393	1,200,278,657	-	1,201,728,050

19.4 Analysis of Financial Instruments by Measurement Basis - Group

	Note	As at 31st December 2021			
		Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total
		Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash & cash equivalents	20	-	23,027,588	-	23,027,588
Balances with Central Bank of Sri Lanka	21	-	30,874,556	-	30,874,556
Placements with banks	22	-	2,739,514	-	2,739,514
Reverse repurchase agreements		-	4,861,922	-	4,861,922
Derivative financial instruments	23	1,399,119	-	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	24	3,907,704	-	-	3,907,704
Financial assets at amortised cost					
- loans & advances	25	-	795,804,353	-	795,804,353
- debt & other instruments	26	-	294,667,208	-	294,667,208
Financial assets - fair value through other comprehensive income	27	-	-	43,004,201	43,004,201
Other assets		-	11,587,129	-	11,587,129
Total Financial Assets		5,306,823	1,163,562,270	43,004,201	1,211,873,294
Financial Liabilities					
Due to banks	34	-	31,532,293		31,532,293
Derivative financial instruments	23	607,923	-		607,923
Securities sold under repurchase agreements		-	4,157,662		4,157,662
Financial liabilities at amortised cost					
- due to depositors	35	-	994,317,574		994,317,574
- due to other borrowers	36	-	14,434,115		14,434,115
- due to debt securities holders	37	-	37,274,207		37,274,207
Dividend payable		-	148,032		148,032
Other liabilities		-	15,628,436		15,628,436
Total Financial Liabilities		607,923	1,097,492,319		1,098,100,242

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position and used by the Group in the management of its short-term commitments. All cash and cash equivalent balances held by the Group entities were available for use by the Group.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above, placements with banks (less than 3 months) (Note 22), net of unfavourable balances with local & foreign banks (Note 34.2).

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Local currency in hand	18,206,833	19,308,886	18,358,248	19,443,575
Foreign currency in hand	3,560,890	692,285	3,560,890	692,285
Balances with local banks	174,876	341,803	205,543	351,723
Balances with foreign banks	55,413,612	2,137,788	55,413,612	2,137,788
Money at call & short notice	1,907,621	500,418	1,907,621	500,418
Gross cash & cash equivalents	79,263,832	22,981,180	79,445,914	23,125,789
Impairment for expected credit losses (Note 20.2)	(101,287)	(98,181)	(101,327)	(98,201)
Net cash & cash equivalents	79,162,545	22,882,999	79,344,587	23,027,588

20.1 Analysis of Cash and Cash Equivalents based on Exposure to Credit Risk

Bank

As at 31st December	2022				2021
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Balances with local banks	174,876	-	-	174,876	341,803
Balances with foreign banks	55,413,612	-	-	55,413,612	2,137,788
Money at call & short notice	1,907,621	-	-	1,907,621	500,418
	57,496,109	-	-	57,496,109	2,980,009
Impairment for expected credit losses	(101,287)	-	-	(101,287)	(98,181)
	57,394,822	-	-	57,394,822	2,881,828

Group

As at 31st December	2022				2021
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Balances with local banks	205,543	-	-	205,543	351,723
Balances with foreign banks	55,413,612	-	-	55,413,612	2,137,788
Money at call & short notice	1,907,621	-	-	1,907,621	500,418
	57,526,776	-	-	57,526,776	2,989,929
Impairment for expected credit losses	(101,327)	-	-	(101,327)	(98,201)
	57,425,449	-	-	57,425,449	2,891,728

20.2 Impairment for Expected Credit Losses - Cash and Cash Equivalents

	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Stage 1				
Balance as at 1st January	98,181	36,364	98,201	36,379
Net (reversal)/charge for the year (Note 12)	(46,940)	61,817	(46,920)	61,822
Amounts written off during the year	-	-	-	-
Other adjustments including exchange differences	50,046	-	50,046	-
Balance as at 31st December	101,287	98,181	101,327	98,201
Total				
Balance as at 1st January	98,181	36,364	98,201	36,379
Net (reversal)/charge for the year (Note 12)	(46,940)	61,817	(46,920)	61,822
Amounts written off during the year	-	-	-	-
Other adjustments including exchange differences	50,046	-	50,046	-
Balance as at 31st December	101,287	98,181	101,327	98,201

21 BALANCES WITH CENTRAL BANK OF SRI LANKA

ACCOUNTING POLICY

As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at 31st December 2022, the minimum cash reserve requirement was 4% (2021: 4%) of the rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Foreign Currency Banking Unit (FCBU).

Balances with Central Bank of Sri Lanka are carried at amortised cost in the Statement of Financial Position.

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Statutory reserve requirement	31,579,185	30,874,556
	31,579,185	30,874,556

22 PLACEMENTS WITH BANKS

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Maturity less than three months		
Placements - in Sri Lanka	3,039,342	-
Placements - out side Sri Lanka	7,890,429	2,739,907
Gross placements with banks	10,929,771	2,739,907
Impairment for expected credit losses (Note 22.2)	(2,555)	(393)
Net placements with banks	10,927,216	2,739,514

NOTES TO THE FINANCIAL STATEMENTS

22 PLACEMENTS WITH BANKS CONTD.

22.1 Analysis of Placements with Banks based on Exposure to Credit Risk

Bank & Group

As at 31st December	2022				2021
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Placements - in Sri Lanka	3,039,342	-	-	3,039,342	-
Placements - out side Sri Lanka	7,890,429	-	-	7,890,429	2,739,907
	10,929,771	-	-	10,929,771	2,739,907
Impairment for expected credit losses	(2,555)	-	-	(2,555)	(393)
	10,927,216	-	-	10,927,216	2,739,514

22.2 Impairment for Expected Credit Losses - Placements with Banks

Bank & Group

	2022 Rs 000	2021 Rs 000
Stage 1		
Balance as at 1st January	393	447
Net charge/(reversal) for the year (Note 12)	2,162	(54)
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	2,555	393
Total		
Balance as at 1st January	393	447
Net charge/(reversal) for the year (Note 12)	2,162	(54)
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	2,555	393

23 DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates etc. Derivatives are categorised as trading unless they are designated as hedging instruments. The accounting policies pertaining to "Derivative Financial Instruments" are given in Note 3.4.3.2 to the Financial Statements.

The table below shows the fair values of derivative financial instruments of the Bank/Group, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Bank & Group

As at 31st December	2022			2021		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Forward exchange contracts						
Sales	12,784	1,867	2,361,824	451,069	83	7,365,785
Purchases	1,375	12,369	1,653,914	91	3,478	793,084
Currency SWAPS						
Sales	-	1,435,157	5,881,131	860,295	17,296	18,779,942
Purchases	30,439	-	5,020,107	87,664	587,066	22,561,922
	44,598	1,449,393	14,916,976	1,399,119	607,923	49,500,733

24 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

ACCOUNTING POLICY

The accounting policies pertaining to "Financial Assets Recognised through Profit or Loss - Measured at Fair Value" are given in Note 3.4.3.3 to the Financial Statements.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Government Securities				
Treasury bills (Note 24.1)	3,612,501	2,248,848	3,612,501	2,248,848
Treasury bonds (Note 24.2)	1,028,776	1,609,730	1,028,776	1,609,730
Equity Securities				
Quoted equity securities (Note 24.3)	-	49,126	181,118	49,126
	4,641,277	3,907,704	4,822,395	3,907,704

24.1 Treasury Bills

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Amortised cost	3,632,426	2,251,305
(Loss)/gain from mark to market valuation as at 1st January	(2,457)	1,611
Movement during the year	(17,468)	(4,068)
Loss from mark to market valuation as at 31st December	(19,925)	(2,457)
Market value	3,612,501	2,248,848

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE CONTD.

24.2 Treasury Bonds

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Amortised cost	1,179,838	1,649,590
(Loss)/gain from mark to market valuation as at 1st January	(39,860)	187,593
Movement during the year	(111,202)	(227,453)
Loss from mark to market valuation as at 31st December	(151,062)	(39,860)
Market value	1,028,776	1,609,730

24.3 Quoted Equity Securities

Bank

As at 31st December	2022			2021		
	No. of Ordinary Shares	Cost of Investment Rs 000	Market Value Rs 000	No. of Ordinary Shares	Cost of Investment Rs 000	Market Value Rs 000
Name of the company						
National Development Bank PLC	-	-	-	713,002	121,509	49,126
		-	-		121,509	49,126
Loss from mark to market valuation as at 1st January		(72,383)			(65,578)	
Movement during the year		72,383			(6,805)	
Loss from mark to market valuation as at 31st December		-			(72,383)	
Market value		-			49,126	

Group

As at 31st December	2022			2021		
	No. of Ordinary Shares	Cost of Investment Rs 000	Market Value Rs 000	No. of Ordinary Shares	Cost of Investment Rs 000	Market Value Rs 000
Name of the company						
National Development Bank PLC	-	-	-	713,002	121,509	49,126
Browns Investments PLC	9,352,116	74,466	65,465	-	-	-
LOLC Holdings PLC	50,992	20,085	20,294	-	-	-
Lanka IOC PLC	259,870	58,943	52,689	-	-	-
Expolanka Holdings PLC	81,216	15,720	14,802	-	-	-
Royal Ceramics Lanka PLC	974,319	29,557	27,573	-	-	-
Tokyo Cement Company (Lanka) PLC	8,938	298	295	-	-	-
Total		199,069	181,118		121,509	49,126
Loss from mark to market valuation as at 1st January						
		(72,383)			(65,578)	
Movement during the year						
		54,432			(6,805)	
Loss from mark to market valuation as at 31st December						
		(17,951)			(72,383)	
Market value		181,118			49,126	

24.4 Analysis of Financial Assets Recognised through Profit or Loss - Measured at Fair Value

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
By collateralisation				
Pledged as collateral	-	-	-	-
Unencumbered	4,641,277	3,907,704	4,822,395	3,907,704
Gross total	4,641,277	3,907,704	4,822,395	3,907,704
By currency				
Sri Lankan Rupee	4,641,277	3,907,704	4,822,395	3,907,704
Other currency	-	-	-	-
Gross total	4,641,277	3,907,704	4,822,395	3,907,704

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS AND ADVANCES

ACCOUNTING POLICY

The key accounting policies pertaining to financial instruments including “Loans and Advances” are given in Notes 3.4 to the Financial Statements.

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Gross loans & advances (Note 25.1)				
Stage 1	513,418,507	503,956,693	519,894,217	514,189,505
Stage 2	305,856,795	253,038,870	322,149,877	269,250,382
Stage 3	100,846,349	56,110,864	111,046,135	67,129,766
	920,121,651	813,106,427	953,090,229	850,569,653
Impairment for expected credit losses (Note 25.2)				
Stage 1	(9,917,653)	(4,543,545)	(9,934,498)	(4,577,037)
Stage 2	(44,751,656)	(20,471,275)	(45,651,154)	(21,221,066)
Stage 3	(54,294,693)	(25,503,313)	(57,527,839)	(28,967,197)
	(108,964,002)	(50,518,133)	(113,113,491)	(54,765,300)
Net loans & advances	811,157,649	762,588,294	839,976,738	795,804,353

25.1 Analysis of Loans & Advances

25.1.1 By Product

As at 31st December	Bank					Group				
	2022 Rs 000	Mix %	2021 Rs 000	Mix %	Growth %	2022 Rs 000	Mix %	2021 Rs 000	Mix %	Growth %
Bills of exchange	2,488,683	0.27	2,983,458	0.37	(16.58)	2,488,683	0.26	2,983,458	0.35	(16.58)
Leasing (Note 25.3)	28,705,433	3.12	34,074,028	4.19	(15.76)	56,212,902	5.90	65,814,123	7.74	(14.59)
Housing loans	55,209,592	6.00	52,274,587	6.43	5.61	55,209,592	5.80	52,274,587	6.14	5.61
Export loans	40,778,354	4.43	27,111,512	3.33	50.41	40,778,354	4.28	27,111,512	3.19	50.41
Import loans	97,849,340	10.64	55,534,539	6.83	76.20	97,849,340	10.27	55,534,539	6.53	76.20
Refinance loans	8,869,594	0.96	15,688,382	1.93	(43.46)	8,869,594	0.93	15,688,382	1.84	(43.46)
Term loans	474,987,554	51.62	430,565,945	52.94	10.32	471,868,911	49.49	429,524,951	50.50	9.86
Overdraft	98,383,441	10.69	89,152,981	10.97	10.35	97,387,334	10.22	89,121,223	10.48	9.28
Staff loans	10,888,428	1.18	10,717,624	1.32	1.59	11,026,852	1.16	10,886,326	1.28	1.29
Pawning & gold loans	67,897,237	7.38	44,033,535	5.42	54.19	76,603,695	8.04	49,840,602	5.86	53.70
Credit cards	20,790,055	2.26	18,850,357	2.32	10.29	20,790,032	2.18	18,850,357	2.22	10.29
Money market loans	11,363,511	1.24	29,930,693	3.68	(62.03)	11,363,511	1.19	29,930,693	3.52	(62.03)
Factoring	1,837,544	0.20	2,168,352	0.27	(15.26)	2,209,110	0.23	2,676,105	0.31	(17.45)
Others	72,885	0.01	20,434	-	256.68	432,319	0.05	332,795	0.04	29.91
Gross loans & advances	920,121,651	100.00	813,106,427	100.00	13.16	953,090,229	100.00	850,569,653	100.00	12.05

25.1.2 By Currency

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Sri Lankan Rupee	752,580,251	717,192,054	785,548,829	754,655,280
United States Dollar	155,771,306	89,459,595	155,771,306	89,459,595
Euro	9,922,420	5,139,388	9,922,420	5,139,388
Great Britain Pounds	1,749,645	1,220,102	1,749,645	1,220,102
Australian Dollar	94,450	90,781	94,450	90,781
Japanese Yen	-	2,374	-	2,374
New Zealand Dollar	3,579	2,133	3,579	2,133
Gross loans & advances	920,121,651	813,106,427	953,090,229	850,569,653

25.1.3 By Product and Currency

As at 31st December	Bank				Group			
	2022		2021		2022		2021	
	Rs 000	%	Rs 000	%	Rs 000	%	Rs 000	%
Local currency								
Bills of exchange	199,719	0.02	144,078	0.02	199,719	0.02	144,078	0.02
Leasing	28,705,433	3.12	34,074,028	4.19	56,212,902	5.90	65,814,123	7.74
Housing loans	54,481,331	5.92	51,568,427	6.34	54,481,331	5.72	51,568,427	6.06
Export loans	3,107,861	0.34	6,866,129	0.84	3,107,861	0.33	6,866,129	0.81
Import loans	87,188,988	9.48	49,043,107	6.03	87,188,988	9.15	49,043,107	5.77
Refinance loans	8,869,594	0.96	15,688,382	1.93	8,869,594	0.93	15,688,382	1.84
Term loans	369,913,048	40.19	370,518,058	45.56	366,794,405	38.48	369,477,064	43.44
Overdraft	87,331,782	9.49	83,578,967	10.28	86,335,675	9.06	83,547,209	9.82
Staff loans	10,888,428	1.18	10,717,624	1.32	11,026,852	1.16	10,886,326	1.28
Pawning & gold loans	67,897,237	7.38	44,033,535	5.42	76,603,695	8.04	49,840,602	5.86
Credit cards	20,790,055	2.26	18,850,357	2.32	20,790,032	2.18	18,850,357	2.22
Money market loans	11,363,511	1.24	29,930,693	3.68	11,363,511	1.19	29,930,693	3.52
Factoring	1,837,544	0.20	2,168,352	0.27	2,209,110	0.23	2,676,105	0.31
Others	5,720	-	10,317	-	365,154	0.04	322,678	0.04
Sub total	752,580,251	81.78	717,192,054	88.20	785,548,829	82.43	754,655,280	88.73
Foreign currency								
Bills of exchange	2,288,964	0.25	2,839,380	0.35	2,288,964	0.24	2,839,380	0.33
Housing loans	728,261	0.08	706,160	0.09	728,261	0.08	706,160	0.08
Export loans	37,670,492	4.09	20,245,383	2.49	37,670,492	3.95	20,245,383	2.38
Import loans	10,660,352	1.16	6,491,432	0.80	10,660,352	1.12	6,491,432	0.76
Term loans	105,074,508	11.43	60,047,887	7.38	105,074,508	11.01	60,047,887	7.06
Overdraft	11,051,658	1.20	5,574,014	0.69	11,051,658	1.16	5,574,014	0.66
Others	67,165	0.01	10,117	-	67,165	0.01	10,117	-
Sub total	167,541,400	18.22	95,914,373	11.80	167,541,400	17.57	95,914,373	11.27
Gross loans & advances	920,121,651	100.00	813,106,427	100.00	953,090,229	100.00	850,569,653	100.00

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS AND ADVANCES CONTD.

25.1.4 By Industry

As at 31st December	Bank				Group			
	2022		2021		2022		2021	
	Rs 000	%	Rs 000	%	Rs 000	%	Rs 000	%
Agriculture & related (Note 25.1.4.1)	78,121,388	8.49	81,614,848	10.04	81,605,434	8.56	85,593,249	10.06
Manufacturing	155,432,557	16.89	97,772,280	12.02	158,876,429	16.67	101,598,643	11.94
Tourism (Note 25.1.4.2)	91,246,731	9.92	72,678,610	8.94	92,098,943	9.66	73,870,156	8.68
Transport	8,689,715	0.94	10,082,774	1.24	11,865,566	1.24	13,586,221	1.60
Construction	115,873,254	12.59	111,911,734	13.76	116,167,205	12.19	112,704,490	13.25
Infrastructure	53,325,175	5.80	49,331,965	6.07	55,433,525	5.82	51,314,918	6.03
Traders	122,914,936	13.36	128,218,561	15.76	128,872,407	13.53	135,097,093	15.89
Financial & business services	70,419,624	7.66	69,974,326	8.61	65,806,997	6.90	68,264,453	8.03
Other services	89,380,208	9.71	72,011,672	8.86	96,842,719	10.16	81,284,851	9.56
Consumers	134,718,063	14.64	119,509,657	14.70	145,521,004	15.27	127,255,579	14.96
Gross loans & advances	920,121,651	100.00	813,106,427	100.00	953,090,229	100.00	850,569,653	100.00

25.1.4.1 As per the requirement of Central Bank of Sri Lanka (CBSL), a minimum of 10% of the loans and advances shall be granted to the agriculture sector. The Bank has complied with the said requirement as at 31st December 2022 and 31st December 2021. The computation method used to derive the industry-wise exposure in Note 25.1.4 above is different from the method used for CBSL minimum lending requirement calculation to agriculture sector.

25.1.4.2 Increase in exposure to Tourism sector is mainly due to revaluation of foreign currency loans with the currency depreciation.

25.2 Impairment for Expected Credit Losses - Loans and Advances

	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Stage 1				
Balance as at 1st January	4,543,545	3,679,288	4,577,037	3,800,247
Net charge for the year (Note 12)	5,098,043	864,257	5,081,396	776,790
Write-off during the year	-	-	-	-
Other movements including exchange differences	276,065	-	276,065	-
Balance as at 31st December	9,917,653	4,543,545	9,934,498	4,577,037
Stage 2				
Balance as at 1st January	20,471,275	10,707,506	21,221,066	11,007,341
Net charge for the year (Note 12)	20,554,192	9,763,769	20,703,899	10,213,725
Write-off during the year	-	-	-	-
Other movements including exchange differences	3,726,189	-	3,726,189	-
Balance as at 31st December	44,751,656	20,471,275	45,651,154	21,221,066
Stage 3				
Balance as at 1st January	25,503,313	24,340,249	28,967,197	26,834,249
Net charge for the year (Note 12)	28,691,655	2,080,800	28,656,170	3,209,022
Write-off during the year	(1,618,428)	(350,619)	(1,813,890)	(497,652)
Interest income accrued on impaired loans & advances (Note 7.1)	(6,278,942)	(3,009,971)	(6,281,486)	(3,027,412)
Other movements including exchange differences	7,997,095	2,442,854	7,999,848	2,448,990
Balance as at 31st December	54,294,693	25,503,313	57,527,839	28,967,197
Total				
Balance as at 1st January	50,518,133	38,727,043	54,765,300	41,641,837
Net charge for the year (Note 12)	54,343,890	12,708,826	54,441,465	14,199,537
Write-off during the year	(1,618,428)	(350,619)	(1,813,890)	(497,652)
Interest income accrued on impaired loans & advances (Note 7.1)	(6,278,942)	(3,009,971)	(6,281,486)	(3,027,412)
Other movements including exchange differences	11,999,349	2,442,854	12,002,102	2,448,990
Balance as at 31st December	108,964,002	50,518,133	113,113,491	54,765,300

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS AND ADVANCES CONTD.

25.3 Leasing

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Total lease rentals receivable	33,858,825	39,867,497	68,523,365	80,174,601
Unearned lease interest income	(5,153,392)	(5,793,469)	(12,310,463)	(14,360,478)
Gross lease receivable	28,705,433	34,074,028	56,212,902	65,814,123
Impairment for expected credit losses	(2,306,144)	(1,327,324)	(4,959,047)	(3,988,545)
Net lease receivable	26,399,289	32,746,704	51,253,855	61,825,578
Gross lease receivable within one year (Note 25.3.1)	10,387,418	11,566,507	22,554,351	24,120,465
Gross lease receivable after one year (Note 25.3.2)	18,318,015	22,507,521	33,658,551	41,693,658
	28,705,433	34,074,028	56,212,902	65,814,123

25.3.1 Lease Receivable within One Year

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Total lease rentals receivable within one year from reporting date	13,706,555	15,180,877	29,449,119	31,702,506
Unearned lease interest income	(3,319,137)	(3,614,370)	(6,894,768)	(7,582,041)
Gross lease receivable within one year (Note 25.3)	10,387,418	11,566,507	22,554,351	24,120,465
Impairment for expected credit losses	(983,130)	(508,473)	(2,214,410)	(1,613,439)
Net lease receivable within one year	9,404,288	11,058,034	20,339,941	22,507,026

25.3.2 Lease Receivable after One Year

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Total lease rentals receivable after one year from reporting date	20,152,270	24,686,620	39,074,246	48,472,095
Unearned lease interest income	(1,834,255)	(2,179,099)	(5,415,695)	(6,778,437)
Gross lease receivable after one year (Note 25.3)	18,318,015	22,507,521	33,658,551	41,693,658
Impairment for expected credit losses	(1,323,014)	(818,851)	(2,744,637)	(2,375,106)
Net lease receivable after one year	16,995,001	21,688,670	30,913,914	39,318,552

26 DEBT AND OTHER INSTRUMENTS**ACCOUNTING POLICY**

The accounting policies pertaining to financial instruments including "Debt and Other Instruments" are given in Note 3.4 to the Financial Statements.

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Government Securities				
Treasury bills	14,471,345	70,165,746	19,933,211	71,065,987
Treasury bonds	194,207,566	135,757,622	194,207,566	135,757,622
Sri Lanka Development Bonds	43,848,618	65,782,968	43,848,618	65,782,968
Sri Lanka International Sovereign Bonds	35,146,255	18,976,248	35,146,255	18,976,248
Other Instruments				
Debentures - quoted (Note 26.1)	5,453,188	5,355,316	5,453,188	5,355,316
Lease backed trust certificates (Note 26.2)	2,328,255	2,921,442	2,328,255	2,921,442
Corporate Bond - LVL Energy Fund	818,529	777,776	818,529	777,776
Promissory Notes - Sri Lanka Telecom PLC	1,167,733	-	1,167,733	-
Gross debt & other instruments	297,441,489	299,737,118	302,903,355	300,637,359
Impairment for expected credit losses (Note 26.3)	(18,665,693)	(5,970,151)	(18,665,693)	(5,970,151)
Net debt & other instruments	278,775,796	293,766,967	284,237,662	294,667,208

26.1 Debentures - Quoted**Bank & Group**

As at 31st December	2022	2021
	Amortised Cost Rs 000	Amortised Cost Rs 000
Name of the company		
Banks, Finance & Insurance		
Commercial Credit & Finance PLC	537,233	537,233
Commercial Leasing & Finance PLC	-	513,833
LOLC Finance PLC	547,560	-
National Savings Bank	2,106,860	2,036,345
Nations Trust Bank PLC	335,455	335,455
People's Leasing & Finance PLC	1,050,770	1,049,771
Singer Finance PLC	108,584	108,584
	4,686,462	4,581,221
Construction & Engineering		
MTD Walkers PLC	254,784	254,784
	254,784	254,784
Others		
Ceylon Electricity Board	490,745	490,745
Kotagala Plantations PLC	21,197	28,566
	511,942	519,311
	5,453,188	5,355,316

NOTES TO THE FINANCIAL STATEMENTS

26 DEBT AND OTHER INSTRUMENTS CONTD.

26.2 Lease Backed Trust Certificates

Bank & Group

As at 31st December	2022 Amortised Cost Rs 000	2021 Amortised Cost Rs 000
Associated Motor Finance Company PLC	-	188,510
LB Finance PLC	-	1,125,719
Trade Finance & Investment PLC	-	47,844
Richard Pieris Finance Ltd	-	35,329
Singer Finance PLC	80,134	248,140
Commercial Credit & Finance PLC	1,902,359	773,538
Sarvodaya Development Finance Ltd	345,762	502,362
	2,328,255	2,921,442

26.3 Impairment for Expected Credit Losses - Debt and Other Instruments at Amortised Cost

Bank & Group

	2022 Rs 000	2021 Rs 000
Stage 1		
Balance as at 1st January	5,686,801	1,973,588
Net (reversal)/charge for the year (Note 12)	(5,625,277)	3,713,213
Amounts written off during the year	-	-
Other adjustments including exchange differences	-	-
Balance as at 31st December	61,524	5,686,801
Stage 2		
Balance as at 1st January	-	-
Net charge for the year (Note 12)	12,894,749	-
Amounts written off during the year	-	-
Other adjustments including exchange differences	5,433,439	-
Balance as at 31st December	18,328,188	-
Stage 3		
Balance as at 1st January	283,350	290,879
Net reversal for the year (Note 12)	(7,369)	(7,529)
Amounts written off during the year	-	-
Other adjustments including exchange differences	-	-
Balance as at 31st December	275,981	283,350
Total		
Balance as at 1st January	5,970,151	2,264,467
Net charge for the year (Note 12)	7,262,103	3,705,684
Amounts written off during the year	-	-
Other adjustments including exchange differences	5,433,439	-
Balance as at 31st December	18,665,693	5,970,151

26.4 Analysis of Debt and Other Instruments based on Exposure to Credit Risk

Bank

As at 31st December	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Government Securities					
Treasury bills	14,471,345	-	-	14,471,345	70,165,746
Treasury bonds	194,207,566	-	-	194,207,566	135,757,622
Sri Lanka Development Bonds	-	43,848,618	-	43,848,618	65,782,968
Sri Lanka International Sovereign Bonds	-	35,146,255	-	35,146,255	18,976,248
Other Instruments					
Debentures - quoted	5,177,207	-	275,981	5,453,188	5,355,316
Lease backed trust certificates	2,328,255	-	-	2,328,255	2,921,442
Corporate Bond - LVL Energy Fund	818,529	-	-	818,529	777,776
Promissory Notes - Sri Lanka Telecom PLC	1,167,733	-	-	1,167,733	-
	218,170,635	78,994,873	275,981	297,441,489	299,737,118
Impairment for expected credit losses	(61,524)	(18,328,188)	(275,981)	(18,665,693)	(5,970,151)
	218,109,111	60,666,685	-	278,775,796	293,766,967

Group

As at 31st December	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Government Securities					
Treasury bills	19,933,211	-	-	19,933,211	71,065,987
Treasury bonds	194,207,566	-	-	194,207,566	135,757,622
Sri Lanka Development Bonds	-	43,848,618	-	43,848,618	65,782,968
Sri Lanka International Sovereign Bonds	-	35,146,255	-	35,146,255	18,976,248
Other Instruments					
Debentures - quoted	5,177,207	-	275,981	5,453,188	5,355,316
Lease backed trust certificates	2,328,255	-	-	2,328,255	2,921,442
Corporate Bond - LVL Energy Fund	818,529	-	-	818,529	777,776
Promissory Notes - Sri Lanka Telecom PLC	1,167,733	-	-	1,167,733	-
	223,632,501	78,994,873	275,981	302,903,355	300,637,359
Impairment for expected credit losses	(61,524)	(18,328,188)	(275,981)	(18,665,693)	(5,970,151)
	223,570,977	60,666,685	-	284,237,662	294,667,208

NOTES TO THE FINANCIAL STATEMENTS

26 DEBT AND OTHER INSTRUMENTS CONTD.

26.5 Analysis of Debt and Other Instruments

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
By collateralisation				
Pledged as collateral	2,783,782	4,382,447	2,783,782	4,382,447
Unencumbered	275,992,014	289,384,520	281,453,880	290,284,761
	278,775,796	293,766,967	284,237,662	294,667,208
By currency				
Sri Lankan Rupee	218,109,111	214,671,019	223,570,977	215,571,260
Other currency	60,666,685	79,095,948	60,666,685	79,095,948
	278,775,796	293,766,967	284,237,662	294,667,208

27 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACCOUNTING POLICY

The accounting policies pertaining to "Financial Assets – Fair Value Through Other Comprehensive Income" are given in Notes 3.4.3.5 & 3.4.3.6 to the Financial Statements.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Government Securities				
Treasury bills (Note 27.1)	3,635,885	5,634,390	3,635,885	5,634,390
Treasury bonds (Note 27.2)	23,733,302	32,052,148	23,733,302	32,052,148
Sri Lanka Development Bonds (Note 27.3)	-	290,184	-	290,184
Sri Lanka International Sovereign Bonds (Note 27.4)	671,756	516,511	671,756	516,511
Equity Securities				
Quoted equity security (Note 27.5)	4,671,146	4,451,151	4,671,146	4,451,151
Unquoted equity securities (Note 27.6)	60,841	59,761	60,897	59,817
	32,772,930	43,004,145	32,772,986	43,004,201

27.1 Treasury Bills

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Amortised cost	3,634,862	5,638,129
(Loss)/gain from mark to market valuation as at 1st January	(3,739)	6,274
Movement during the year		
Gross change in market value	15,834	(9,009)
Reclassification to profit or loss due to derecognition	(11,072)	(1,004)
Gain/(loss) from mark to market valuation as at 31st December	1,023	(3,739)
Market value	3,635,885	5,634,390

27.2 Treasury Bonds

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Amortised cost	24,006,458	33,295,879
(Loss)/gain from mark to market valuation as at 1st January	(1,243,731)	14,670
Movement during the year		
Gross change in market value	(3,841,589)	(1,230,406)
Reclassification to amortised cost (Note 27.8)	4,787,611	-
Reclassification to profit or loss due to derecognition	24,553	(27,995)
Loss from mark to market valuation as at 31st December	(273,156)	(1,243,731)
Market value	23,733,302	32,052,148

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTD.

27.3 Sri Lanka Development Bonds

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Amortised cost	-	290,176
Gain from mark to market valuation as at 1st January	8	-
Movement during the year		
Gross change in market value	(8)	8
Gain from mark to market valuation as at 31st December	-	8
Market value	-	290,184

27.4 Sri Lanka International Sovereign Bonds

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Amortised cost	1,644,806	837,704
Loss from mark to market valuation as at 1st January	(321,193)	(178,083)
Movement during the year		
Gross change in market value	(651,857)	(141,796)
Reclassification to profit or loss due to derecognition	-	(1,314)
Loss from mark to market valuation as at 31st December	(973,050)	(321,193)
Market value	671,756	516,511

27.5 Quoted Equity Security

Quoted equity security represents the investment in ordinary shares of LankaBangla Finance Ltd in Bangladesh.

Bank & Group

	2022		2021	
	No. of Ordinary Shares	Rs 000	No. of Ordinary Shares	Rs 000
Cost of the investment as at 1st January	51,036,605	1,182,534	51,036,605	1,092,702
Exchange gain		970,472		89,832
Cost of the investment as at 31st December	51,036,605	2,153,006	51,036,605	1,182,534
Gain from mark to market valuation as at 1st January		3,268,617		2,436,272
Movement during the year				
Gross change in market value		(3,213,837)		632,059
Exchange gain		2,463,360		200,286
Gain from mark to market valuation as at 31st December		2,518,140		3,268,617
Market value		4,671,146		4,451,151

27.6 Unquoted Equity Securities

As at 31st December	2022			2021		
	No. of Ordinary Shares	Cost of the Investment	Market Value	No. of Ordinary Shares	Cost of the Investment	Market Value
		Rs 000	Rs 000		Rs 000	Rs 000
Bank						
Name of the company						
LankaBangla Securities Ltd	293,485	108,675	2,396	293,485	59,690	1,316
Credit Information Bureau	1,700	170	170	1,700	170	170
SWIFT	23	9,035	30,517	23	9,035	30,517
LankaPay (Pvt) Ltd (formerly known as Lanka Clear (Pvt) Ltd)	2,000,000	20,000	20,000	2,000,000	20,000	20,000
Lanka Financial Services Bureau Ltd	500,000	5,000	-	500,000	5,000	-
Lanka Rating Agency Ltd	9,449,707	15,516	7,758	9,449,707	15,516	7,758
		158,396	60,841		109,411	59,761
Loss from mark to market valuation as at 1st January		(49,650)			(74,455)	
Movement during the year						
Gross change in market value		-			38,580	
Realised gain transferred to retained earnings		-			(9,340)	
Exchange rate differences		(47,905)			(4,435)	
Loss from mark to market valuation as at 31st December		(97,555)			(49,650)	
Market value		60,841			59,761	
Group						
Name of the company						
LankaBangla Securities Ltd	293,485	108,675	2,396	293,485	59,690	1,316
Credit Information Bureau	1,800	226	226	1,800	226	226
SWIFT	23	9,035	30,517	23	9,035	30,517
LankaPay (Pvt) Ltd (formerly known as Lanka Clear (Pvt) Ltd)	2,000,000	20,000	20,000	2,000,000	20,000	20,000
Lanka Financial Services Bureau Ltd	500,000	5,000	-	500,000	5,000	-
Lanka Rating Agency Ltd	9,949,707	15,516	7,758	9,449,707	15,516	7,758
		158,452	60,897		109,467	59,817
Loss from mark to market valuation as at 1st January		(49,650)			(74,455)	
Movement during the year						
Gross change in market value		-			38,580	
Realised gain transferred to retained earnings		-			(9,340)	
Exchange rate differences		(47,905)			(4,435)	
Loss from mark to market valuation as at 31st December		(97,555)			(49,650)	
Market value		60,897			59,817	

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTD.

27.7 Analysis of Financial Assets - Fair Value through Other Comprehensive Income

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
By collateralisation				
Pledged as collateral	-	-	-	-
Unencumbered	32,772,930	43,004,145	32,772,986	43,004,201
	32,772,930	43,004,145	32,772,986	43,004,201
By currency				
Sri Lankan Rupee	27,397,115	37,714,466	27,397,171	37,714,522
Other currency	5,375,815	5,289,679	5,375,815	5,289,679
	32,772,930	43,004,145	32,772,986	43,004,201

27.8 Reclassification of Debt Portfolio

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued a "Statement of Alternative Treatment (SoAT) on Reclassification of Debt portfolio", which provided a one-off option to the entities to reclassify their debt portfolios measured at Fair Value through Other Comprehensive Income (FVOCI) to Amortised Cost (AC).

Applying this SoAT, the Bank reclassified its FVOCI treasury bond portfolio as at 1st April 2022 to AC. Accordingly, the Bank reversed a cumulative mark to market loss of Rs 4.8 Bn recognised in other comprehensive income and adjusted against the carrying value of treasury bonds as at the date of reclassification.

The amortised cost of the treasury bonds reclassified from FVOCI amounted to Rs 29 Bn as at 31st December 2022. The fair value and the cumulative mark to market loss of these bonds would have been Rs 25.1 Bn and Rs 3.9 Bn respectively, had the Bank continued to classify these bonds in the FVOCI portfolio. The additional mark to market loss that would have been recognised for the year ended 31st December 2022 would have been Rs 2.7 Bn.

28 INVESTMENT IN SUBSIDIARIES

ACCOUNTING POLICY

Subsidiaries are entities that are controlled by the Bank. The Bank is presumed to control an investee when it is exposed 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. At each reporting date, the Bank reassesses whether it controls an investee, if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's subsidiaries are prepared for the same reporting year as per the Bank, using consistent accounting policies.

The cost of acquisition of a subsidiary is measured as the fair value of the consideration, including contingent consideration, given on the date of transfer of title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, the Bank continues to recognise the investments in subsidiaries at cost.

The total assets and liabilities of the subsidiaries as at the reporting date are included in the Consolidated Statement of Financial Position. The total profit or loss for the year of the subsidiaries is included in the Consolidated Statement of Profit or Loss. The non-controlling interest is presented in the Consolidated Statement of Financial Position within equity, separately from the equity attributable to the equity holders of the Bank. Non-controlling interest in the profit or loss of the Group is disclosed in the Consolidated Statement of Comprehensive Income. Total comprehensive income is allocated to the owners of the parent and to the non-controlling interest even if this results in non-controlling interest having a deficit balance.

Intra-group balances and any income and expenses arising from intra-group transactions are eliminated when preparing the Consolidated 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. When a subsidiary is acquired or sold during the year, operating results of such subsidiary is included from the date of acquisition or to the date of disposal. Upon the loss of control, the Group derecognise 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 the Statement of Changes in Equity.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

The Group did not acquire/dispose any subsidiaries during the year ended 31st December 2022.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Bank in the form of cash dividend or repayment of loans and advances.

All subsidiaries of the Bank have been incorporated in Sri Lanka.

Bank

As at 31st December Subsidiary	Principal Activities	2022			2021		
		Ownership	Cost	Directors' Valuation	Ownership	Cost	Directors' Valuation
			Rs 000	Rs 000		Rs 000	Rs 000
Sampath Centre Ltd	Renting of commercial property	100%	713,481	5,612,451	100%	674,163	5,651,419
SC Securities (Pvt) Ltd	Stock broking	100%	196,355	699,729	100%	185,345	553,381
Siyapatha Finance PLC	Granting lease, hire purchase, factoring & other loans facilities & accepting deposits	100%	2,674,439	6,567,175	100%	2,346,095	6,226,093
Sampath Information Technology Solutions Ltd	Software development, renting of IT equipment & IT resource outsourcing & consultancy	100%	314,237	574,400	100%	297,747	516,041
			3,898,512			3,503,350	

Subsidiaries are not quoted in the Colombo Stock Exchange except Siyapatha Finance PLC.

The Directors' valuation of investments in subsidiaries has been carried out on net asset basis as at 31st December 2022. Net asset values of all subsidiary companies have exceeded the cost of investment as at 31st December 2022 and accordingly no provisions have been recognised in the Financial Statements against investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Group applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant and equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable for bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted as separate items (major components) of property, plant and equipment.

Cost Model

The Group applies cost model to property, plant and equipment except for freehold 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.

Revaluation Model

The Group applies the revaluation model to 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. Freehold land and buildings of the Group are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date. The Group revalued its freehold land and buildings as at 31st December 2022, the details of which are given in Note 29.3.

On revaluation of an asset, any increase in the carrying amount is recognised in 'Other Comprehensive Income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. 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 Statement of Profit or Loss or debited to the other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation 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.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

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. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant, machinery and system development, awaiting capitalisation. Capital work in progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

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). A qualifying asset is an asset which takes substantial period of time to get ready for its intended use or sale. 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 in profit or loss in the period in which they are incurred. The Group has not capitalised any borrowing cost under property, plant and equipment during the year.

Rates of depreciation for each category of property, plant and equipment are given in Note 14, 'Depreciation and Amortisation Expenses'.

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT CONTD.

29.1 Bank

	Freehold Land & Buildings Rs 000	Improvements to Lease Hold Properties Rs 000	Computer Equipment Rs 000	Office Equipment Rs 000	Fixtures & Fittings Rs 000	Motor Vehicles Rs 000	2022 Total Rs 000	2021 Total Rs 000
Cost/Valuation								
Balance as at 1st January	5,904,098	1,241,721	4,637,699	2,396,814	382,616	196,792	14,759,740	14,328,397
Additions & improvements	49,062	331,171	189,421	279,707	37,937	-	887,298	466,451
Disposals during the year	-	-	(2,107)	(9,269)	(40)	-	(11,416)	(34,944)
Written off during the year	-	-	-	-	-	-	-	(164)
Revaluation adjustment on accumulated depreciation	(138,892)	-	-	-	-	-	(138,892)	-
Revaluation surplus	978,718	-	-	-	-	-	978,718	-
Transfers/adjustments	-	(448)	(1,993)	293	408	-	(1,740)	-
Cost/valuation as at 31st December	6,792,986	1,572,444	4,823,020	2,667,545	420,921	196,792	16,473,708	14,759,740
Accumulated Depreciation								
Balance as at 1st January	92,176	1,177,086	3,235,403	1,958,796	302,141	176,215	6,941,817	6,202,112
Charge for the year (Note 14)	46,716	58,775	471,144	146,242	39,607	9,394	771,878	767,104
Disposals during the year	-	-	(2,005)	(9,107)	(40)	-	(11,152)	(27,235)
Written off during the year	-	-	-	-	-	-	-	(164)
Revaluation adjustment on accumulated depreciation	(138,892)	-	-	-	-	-	(138,892)	-
Transfers/adjustments	-	-	-	(1)	-	(467)	(468)	-
Accumulated depreciation as at 31st December	-	1,235,861	3,704,542	2,095,930	341,708	185,142	7,563,183	6,941,817
Net book value as at 31st December 2022	6,792,986	336,583	1,118,478	571,615	79,213	11,650	8,910,525	-
Net book value as at 31st December 2021	5,811,922	64,635	1,402,296	438,018	80,475	20,577	-	7,817,923

29.1(a) The carrying amount of Bank's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation, would be as follows:

As at 31st December	2022			2021		
	Cost Rs 000	Accumulated Depreciation Rs 000	Cost Less Accumulated Depreciation Rs 000	Cost Rs 000	Accumulated Depreciation Rs 000	Cost Less Accumulated Depreciation Rs 000
Freehold lands	906,309	-	906,309	906,309	-	906,309
Freehold buildings	1,274,244	343,687	930,557	1,225,182	312,715	912,467
Total	2,180,553	343,687	1,836,866	2,131,491	312,715	1,818,776

29.2 Group

	Freehold Land & Buildings Rs 000	Improvements to Lease Hold Properties Rs 000	Computer Equipment Rs 000	Office Equipment Rs 000	Fixtures & Fittings Rs 000	Motor Vehicles Rs 000	Capital Work-in Progress Rs 000	2022 Total Rs 000	2021 Total Rs 000
Cost/Valuation									
Balance as at 1st January	11,830,494	1,241,721	6,383,826	3,051,822	744,361	210,471	1,707,492	25,170,187	23,840,752
Additions & improvements	53,143	331,171	395,702	317,053	61,375	-	922,001	2,080,445	1,679,810
Disposals during the year	-	-	(123,352)	(10,364)	(3,972)	-	-	(137,688)	(342,210)
Written off during the year	-	-	(199)	-	-	-	-	(199)	(8,165)
Revaluation adjustment on accumulated depreciation	(445,483)	-	-	-	-	-	-	(445,483)	-
Revaluation surplus	1,855,410	-	-	-	-	-	-	1,855,410	-
Transfers/adjustments	1,473,037	(448)	111,727	134,781	377,197	-	(2,104,513)	(8,219)	-
Cost/valuation as at 31st December	14,766,601	1,572,444	6,767,704	3,493,292	1,178,961	210,471	524,980	28,514,453	25,170,187
Accumulated Depreciation									
Balance as at 1st January	293,591	1,177,086	4,576,104	2,098,977	502,397	184,516	-	8,832,671	7,949,337
Charge for the year (Note 14)	151,892	58,775	676,720	193,722	104,984	10,291	-	1,196,384	1,190,237
Disposals during the year	-	-	(122,920)	(10,077)	(3,006)	-	-	(136,003)	(298,738)
Written off during the year	-	-	(60)	-	-	-	-	(60)	(8,165)
Revaluation adjustment on accumulated depreciation	(445,483)	-	-	-	-	-	-	(445,483)	-
Transfers/adjustments	-	-	-	(1)	-	(467)	-	(468)	-
Accumulated depreciation as at 31st December	-	1,235,861	5,129,844	2,282,621	604,375	194,340	-	9,447,041	8,832,671
Net book value as at 31st December 2022	14,766,601	336,583	1,637,860	1,210,671	574,586	16,131	524,980	19,067,412	-
Net book value as at 31st December 2021	11,536,903	64,635	1,807,722	952,845	241,964	25,955	1,707,492	-	16,337,516

29.2(a) The carrying amount of Group's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation, would be as follows:

As at 31st December	2022			2021		
	Cost	Accumulated Depreciation	Cost Less Accumulated Depreciation	Cost	Accumulated Depreciation	Cost Less Accumulated Depreciation
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Freehold lands	1,245,388	-	1,245,388	1,245,388	-	1,245,388
Freehold buildings	4,806,708	711,621	4,095,087	3,280,528	592,843	2,687,685
Total	6,052,096	711,621	5,340,475	4,525,916	592,843	3,933,073

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT CONTD.

29.3 Details of Bank's & Group's Land and Buildings Stated at Valuation

Valuer/Location	Date of Valuation	Method of Valuation	Net Book Value before Revaluation		Revaluation Amount		Revaluation Gain/(Loss)			Revaluation Gain/(Loss) Recognised in	
			Land	Building	Land	Building	Land	Building	Total	Profit or Loss	OCI
			Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn
Bank											
Valuer - Mr C Wellappili											
No. 05, Wakwella Road, Galle	31.12.2022	Income basis	104.88	36.98	113.62	49.37	8.74	12.39	21.13	-	21.13
No. 42, Anguruwatota Road, Horana	31.12.2022	Income basis	51.87	-	62.25	-	10.38	-	10.38	-	10.38
No. 81 & 81 A, High Level Road, Maharagama	31.12.2022	Income basis	80.76	39.05	94.22	66.58	13.46	27.53	40.99	-	40.99
Valuer - Mr G M Gamage											
No. 69, Main Street, Deniyaya	31.12.2022	Income basis	35.04	25.20	40.29	32.98	5.25	7.78	13.03	-	13.03
No. 117, Hapugahawalawatta, Ihalagama Road, Deniyaya	31.12.2022	Income basis	1.50	-	3.50	-	2.00	-	2.00	-	2.00
No. 05, Hakmana Road, Matara	31.12.2022	Income basis	185.64	39.39	357.00	68.00	171.36	28.61	199.97	-	199.97
No. 25-27, Main Street, Tissamaharama	31.12.2022	Income basis	27.75	38.25	28.86	51.13	1.11	12.88	13.99	-	13.99
Valuer - Mr Sarath Fernando											
No. 9, 9/1, Giriulla Road, Alawwa	31.12.2022	Income basis	24.70	22.36	31.00	29.00	6.30	6.64	12.94	-	12.94
No. 150, Colombo Road, Gampaha	31.12.2022	Income basis	68.00	39.31	70.00	52.00	2.00	12.69	14.69	-	14.69
No. 312/A, Galle Road, Kalutara	31.12.2022	Income basis	82.00	65.92	85.00	73.00	3.00	7.08	10.08	-	10.08
No. 187, Madawala Road, Katugastota	31.12.2022	Income basis	81.00	59.87	82.00	67.00	1.00	7.13	8.13	-	8.13
No. 31 & 33, Negombo Road, Kurunegala	31.12.2022	Income basis	187.00	96.22	192.00	116.00	5.00	19.78	24.78	-	24.78
No. 475, Elvitigala Mawatha, Narahenpita	31.12.2022	Income basis	104.00	59.58	110.00	69.00	6.00	9.42	15.42	-	15.42
No. 408, Main Street, Negombo	31.12.2022	Income basis	124.00	132.32	133.00	135.00	9.00	2.68	11.68	-	11.68
No. 371, Old Moor St, Masangasweediya, Colombo 12	31.12.2022	Income basis	192.00	54.73	207.00	60.00	15.00	5.27	20.27	-	20.27
No. 373 A, Galle Road, Panadura	31.12.2022	Income basis	75.00	46.62	80.00	54.00	5.00	7.38	12.38	-	12.38
No. 85/87, Panchikawatta Road, Colombo 10	31.12.2022	Income basis	78.00	66.61	80.00	82.00	2.00	15.39	17.39	-	17.39
No. 180(part), Bodiraja Mawatha, Pettah	31.12.2022	Income basis	-	92.60	-	108.80	-	16.20	16.20	-	16.20
No. 61A, Moratuwa Road, Piliyandala	31.12.2022	Income basis	75.00	38.93	90.00	50.00	15.00	11.07	26.07	-	26.07
No. 1/87, Victoria Range, Digana, Kandy	31.12.2022	Market Comparable Basis	10.00	10.73	11.00	13.20	1.00	2.47	3.47	-	3.47
No. 256/1, Negombo Road, Wattala	31.12.2022	Income basis	106.00	39.61	108.00	47.00	2.00	7.39	9.39	-	9.39
No. 591, Galle Road, Wellawatta	31.12.2022	Income basis	139.00	52.71	140.00	62.00	1.00	9.29	10.29	-	10.29

Valuer/Location	Date of Valuation	Method of Valuation	Net Book Value before Revaluation		Revaluation Amount		Revaluation Gain/(Loss)			Revaluation Gain/(Loss) Recognised in	
			Land	Building	Land	Building	Land	Building	Total	Profit or Loss	OCI
			Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn
Valuer - Mr G W G Abeygunawaradana											
"Nuwarawewakele", Maithreepala Senanayake Mw, Anuradhapura	31.12.2022	Income basis	175.74	58.46	187.86	60.84	12.12	2.38	14.50	0.80	13.70
No. 1022, Maradana Road, Borella	31.12.2022	Income basis	296.16	87.30	318.37	90.38	22.21	3.08	25.29	-	25.29
No. 103, Dharmapala Mawatha, Hunupitiya, Colombo 7	31.12.2022	Market Comparable Basis	1,731.30	62.71	1,973.55	72.68	242.25	9.97	252.22	-	252.22
No. 29, Cross Street, Kandy	31.12.2022	Income basis	282.70	84.23	346.95	114.30	64.25	30.07	94.32	-	94.32
No. 261, Galle Road, Ratmalana	31.12.2022	Income basis	49.00	20.42	73.58	48.67	24.58	28.25	52.83	-	52.83
Valuer - Mr A A M Fathihu											
No. 202, Main Road, Attidiya	31.12.2022	Income basis	50.76	25.35	57.10	43.90	6.34	18.55	24.89	-	24.89
Total - Bank			4,418.80	1,395.46	5,076.15	1,716.83	657.35	321.37	978.72	0.80	977.92
Subsidiaries											
Valuer - Mr C Wellappili											
Sampath Centre - No. 110, Sir James Peiris Mawatha, Colombo 2	31.12.2022	Income basis	2,677.50	2,650.83	2,841.60	3,306.82	164.10	655.99	820.09	-	820.09
Valuer - Mr C Wellappili											
Siyapatha Finance PLC - No. 111, Dudley Senanayake Mawatha, Colombo 8	31.12.2022	Income basis	367.91	1,400.69	424.51	1,400.69	56.60	-	56.60	-	56.60
Total - Group			7,464.21	5,446.98	8,342.26	6,424.34	878.05	977.36	1,855.41	0.80	1,854.61

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT CONTD.

29.4 Freehold Land and Buildings

Location	Land Extent Perches	Buildings Sq.ft	No. of Buildings in the Location	Cost/ Revaluation of Land Rs 000	Cost/ Revaluation of Building Rs 000	Total Value Rs 000	Accumulated Depreciation Rs 000	2022 Net Book Value Rs 000	As a % of Total NBV	2021 Net Book Value Rs 000
Bank										
1 Alawwa No. 9, 9/1, Giriulla Road, Alawwa	20.7	8,190	1	31,000	29,000	60,000	-	60,000	0.4%	47,907
2 Anuradhapura "Nuwarawewakele", Maithreepala Senanayake Mw, Anuradhapura	40.4	8,929	1	187,860	60,840	248,700	-	248,700	1.7%	236,287
3 Attidiya No. 202, Main Road, Attidiya	12.7	6,064	1	57,100	43,900	101,000	-	101,000	0.7%	76,787
4 Borella No. 1022, Maradana Road, Borella	24.7	15,876	1	318,372	90,378	408,750	-	408,750	2.8%	385,881
5 Deniyaya No. 69, Main Street, Deniyaya	17.5	5,325	1	40,296	32,978	73,274	-	73,274	0.5%	60,921
6 Deniyaya No. 117, Hapugahawalawatta, Ihalagama Road, Deniyaya	40.0	BareLand	-	3,500	-	3,500	-	3,500	0.0%	1,500
7 Dharmapala Mawatha No. 103, Dharmapala Mawatha, Hunupitya, Colombo 7	119.4	7,300	1	1,973,550	72,675	2,046,225	-	2,046,225	13.9%	1,795,899
8 Galle No. 05, Wakwella Road, Galle	17.5	5,400	1	113,620	49,367	162,987	-	162,987	1.1%	137,227
9 Gampaha No. 150, Colombo Road, Gampaha	25.0	5,680	1	70,000	52,000	122,000	-	122,000	0.8%	107,897
10 Horana No. 42, Anguruwatota Road, Horana	20.8	BareLand	-	62,250	-	62,250	-	62,250	0.4%	51,875
11 Kalutara No. 312/A, Galle Road, Kalutara	30.0	8,715	1	85,000	73,000	158,000	-	158,000	1.1%	149,800
12 Kandy Metro No. 29, Cross Street, Kandy	25.7	17,398	1	346,950	114,300	461,250	-	461,250	3.1%	370,287
13 Katugastota No. 187, Madawala Road, Katugastota	23.2	7,811	1	82,000	67,000	149,000	-	149,000	1.0%	142,576
14 Kurunegala No. 31 & 33, Negombo Road, Kurunegala	37.4	16,202	1	192,000	116,000	308,000	-	308,000	2.1%	283,257
15 Maharagama No. 81 & 81 A, High Level Road, Maharagama	13.5	6,310	1	94,220	66,580	160,800	-	160,800	1.1%	121,130
16 Matara No. 05, Hakmana Road, Matara	47.6	11,141	2	357,000	68,000	425,000	-	425,000	2.9%	226,524
17 Narahenpita No. 475, Elvitigala Mawatha, Narahenpita	18.9	9,600	1	110,000	69,000	179,000	-	179,000	1.2%	165,381

Location	Land Extent Perches	Buildings Sq. ft	No. of Buildings in the Location	Cost/ Revaluation of Land Rs 000	Cost/ Revaluation of Building Rs 000	Total Value Rs 000	Accumulated Depreciation Rs 000	2022 Net Book Value Rs 000	As a % of Total NBV	2021 Net Book Value Rs 000
18 Negombo No. 408, Main Street, Negombo	41.5	15,088	1	133,000	135,000	268,000	-	268,000	1.8%	259,887
19 Old Moor Street No. 371, Old Moor St, Masangasweediya, Colombo 12	24.0	10,180	1	207,000	60,000	267,000	-	267,000	1.8%	211,995
20 Panadura No. 373 A, Galle Road, Panadura	27.3	6,020	1	80,000	54,000	134,000	-	134,000	0.9%	123,079
21 Panchikawatta No. 85/87, Panchikawatta Road, Colombo 10	9.8	14,680	1	80,000	82,000	162,000	-	162,000	1.1%	147,067
22 Pettah No. 180 (part), Bodiraja Mawatha, Pettah	-	5,124	1	-	108,800	108,800	-	108,800	0.7%	96,768
23 Piliyandala No. 61A, Moratuwa Road, Piliyandala	37.5	8,138	1	90,000	50,000	140,000	-	140,000	0.9%	115,144
24 Ratmalana No. 261, Galle Road, Ratmalana	10.9	5,520	1	73,575	48,675	122,250	-	122,250	0.8%	68,797
25 Tissamaharama No. 25-27, Main Street, Tissamaharama	22.2	10,815	1	28,860	51,140	80,000	-	80,000	0.5%	67,024
26 Victoria Range No. 1/87, Victoria Range, Digana, Kandy	20.1	2,320	1	11,000	13,200	24,200	-	24,200	0.2%	21,084
27 Wattala No. 256/1, Negombo Road, Wattala	42.5	5,314	1	108,000	47,000	155,000	-	155,000	1.0%	146,735
28 Wellawatte No. 591, Galle Road, Wellawatta	21.5	7,776	1	140,000	62,000	202,000	-	202,000	1.4%	193,206
Total - Bank	792.3	230,916	27	5,076,153	1,716,833	6,792,986	-	6,792,986	46.0%	5,811,922
Subsidiaries										
Sampath Centre Ltd										
29 Slave Island No. 110, Sir James Peiris Mawatha, Colombo 2	153.6	318,264	1	2,841,600	3,306,823	6,148,423	-	6,148,423	41.6%	5,357,080
Siyapatha Finance PLC										
30 Borella No. 111, Dudley Senanayake Mawatha, Colombo 8	29.1	61,370	1	424,500	1,400,692	1,825,192	-	1,825,192	12.4%	367,901
Total - Group	975.0	610,550	29	8,342,253	6,424,348	14,766,601	-	14,766,601	100.0%	11,536,903

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT CONTD.

29.5(a) Improvements to Leasehold Properties

Bank & Group

As at 31st December	2022			2021
	Cost of Buildings	Accumulated Depreciation	Net Book Value	Net Book Value
	Rs 000	Rs 000	Rs 000	Rs 000
01 - 05 years	307,996	260,041	47,955	16,748
06 - 10 years	887,464	638,858	248,606	35,955
Above 10 years	376,984	336,962	40,022	11,932
Total	1,572,444	1,235,861	336,583	64,635

29.5(b) Fully Depreciated Property, Plant and Equipment

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment which are still in use as at reporting date is as follows.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Asset class				
Improvements to leasehold properties	1,135,103	1,086,051	1,135,103	1,086,051
Computer equipment & software	4,437,727	3,641,524	5,012,010	3,965,876
Office equipment	1,589,715	1,435,174	1,641,239	1,468,220
Fixtures & fittings	228,672	172,739	380,342	301,434
Motor vehicles	139,563	109,844	147,267	115,257
Total	7,530,780	6,445,332	8,315,961	6,936,838

29.5(c) Temporarily Idle Property, Plant and Equipment - Bank & Group

The Bank holds Horana land worth of Rs 62.25 Mn with the intention of constructing a branch. The Bank does not intend to construct a branch in the bare land located in Deniyaya as it was severely earth slipped. Any future construction on this land would be subjected to NBRO (National Building Research Organisation) certification.

29.5(d) Property, Plant and Equipment Retired from Active Use - Bank & Group

There were no property, plant and equipment retired from active use as at 31st December 2022 (2021: NIL).

29.5(e) Title Restriction on Property, Plant and Equipment - Bank & Group

There were no restriction on the title of property, plant and equipment as at 31st December 2022 (2021: NIL).

29.5(f) Property, Plant and Equipment Pledged as Security against Liabilities - Bank & Group

There were no items of property, plant and equipment pledged as securities against liabilities (2021: NIL).

29.5(g) Compensation from Third Parties for Items of Property, Plant and Equipment - Bank & Group

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2021: NIL).

30 INTANGIBLE ASSETS**ACCOUNTING POLICY****Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Group in previous annual Financial Statements or interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible Assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred. Goodwill is measured at cost less accumulated impairment losses.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Intangible assets of the Bank as at 31st December 2022 only include computer software and cost of licenses. Rates of amortisation for computer software and licenses are given in Note 14, 'Depreciation and Amortisation Expenses'.

	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Cost				
Balance as at 1st January	3,201,600	3,019,995	3,423,634	3,231,884
Additions & improvements	309,934	181,605	321,964	191,750
Disposal/write off during the year	-	-	-	-
Transfers/adjustments	960	-	7,438	-
Cost as at 31st December	3,512,494	3,201,600	3,753,036	3,423,634
Accumulated Amortisation				
Balance as at 1st January	2,656,684	2,266,380	2,855,953	2,440,195
Charge for the year (Note 14)	279,017	390,304	297,980	415,758
Disposal/write off during the year	-	-	-	-
Transfers/adjustments	(1,238)	-	(1,238)	-
Accumulated amortisation as at 31st December	2,934,463	2,656,684	3,152,695	2,855,953
Net book value as at 31st December	578,031	544,916	600,341	567,681

NOTES TO THE FINANCIAL STATEMENTS

31 RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Cost				
Balance as at 1st January	7,275,690	5,993,575	5,598,340	4,586,866
Additions & improvements	1,769,040	1,282,115	1,136,377	1,011,474
Expirations/write off during the year	(1,273,590)	-	(654,949)	-
Cost as at 31st December	7,771,140	7,275,690	6,079,768	5,598,340
Accumulated Amortisation				
Balance as at 1st January	4,010,372	2,713,409	2,566,550	1,681,205
Charge for the year (Note 14)	1,494,073	1,296,963	902,397	885,345
Expirations/write off during the year	(1,273,591)	-	(654,949)	-
Accumulated amortisation as at 31st December	4,230,854	4,010,372	2,813,998	2,566,550
Net book value as at 31st December	3,540,286	3,265,318	3,265,770	3,031,790

31.1 Lease Liability

Set out below are the carrying amounts of lease liabilities (included under "Other Liabilities" in Note 40) and the movements during the year.

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	3,726,611	3,779,635	3,493,648	3,210,792
Additions	1,769,040	1,282,115	1,136,377	1,011,474
Accretion of interest (Note 7.2)	423,576	183,835	353,407	246,386
Payments	(1,627,383)	(1,518,974)	(1,074,798)	(975,004)
Balance as at 31st December (Note 40)	4,291,844	3,726,611	3,908,634	3,493,648

31.1.1 Maturity Analysis of Lease Liability

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Less than 1 year	2,352,370	1,856,649	1,768,672	1,446,333
1 to 5 years	1,605,762	1,540,128	1,768,829	1,643,037
More than 5 years	333,712	329,834	371,133	404,278
	4,291,844	3,726,611	3,908,634	3,493,648

31.2 Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumptions**31.2.1 Sensitivity to Discount Rates**

1% increase/(decrease) in discount rate as at 31st December 2022 would have (decreased)/increased the lease liability by approximately Rs 87 Mn with a similar (decrease)/increase in the right-of-use asset. Had the Bank increased/(decreased) the discount rate by 1%, the Bank's profit before tax for the year would have (decreased)/increased by approximately Rs 24 Mn.

31.2.2 Sensitivity to Lease Term

Had the lease term of all existing lease agreements been increased by further one year, lease liability of the Bank as at 31st December 2022 would have increased by Rs 1,768 Mn with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Bank by Rs 311 Mn.

The above sensitivities are given only for the Bank since the subsidiary leases do not have a material impact on the financial statements of the Group.

32 DEFERRED TAX (ASSETS)/LIABILITIES

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Recognised under assets	(21,734,244)	(6,157,958)	(21,992,147)	(6,242,982)
Recognised under liabilities	-	-	1,465,662	979,815
	(21,734,244)	(6,157,958)	(20,526,485)	(5,263,167)

Net deferred tax (assets)/liabilities of one entity cannot be set-off against another entity's liabilities/(assets) since there is no legally enforceable right to set-off. Therefore, net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

32 DEFERRED TAX (ASSETS)/LIABILITIES CONTD.

32.1 Movement in Deferred Tax (Assets)/Liabilities Bank

	Accelerated Depreciation for Tax Purposes		Provision for Loan Losses	Revaluation on Land & Buildings	Retirement Benefit Obligation	Gain/(Loss) on FVOCI Assets	Others	Total
	Property, Plant & Equipment	Leased Assets						
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2021	490,057	496,604	(5,449,699)	1,164,180	(1,924,047)	714,855	(125,990)	(4,634,040)
Profit or loss (Note 16)								
Due to rate reduction (Note 16.3.1)	(70,008)	(70,943)	778,528	-	69,070	-	17,999	724,646
Due to change in temporary differences	(36,766)	(238,811)	(2,843,501)	-	358,617	-	5,559	(2,754,902)
Other comprehensive income								
Due to rate reduction (Note 16.3.1)	-	-	-	(166,311)	205,792	(102,123)	-	(62,642)
Due to change in temporary differences	-	-	-	-	673,017	(101,795)	-	571,222
Transfer to the current tax liability - tax on realised gain from derecognition of equity instrument at FVOCI	-	-	-	-	-	(2,242)	-	(2,242)
Balance as at 31st December 2021	383,283	186,850	(7,514,672)	997,869	(617,552)	508,696	(102,432)	(6,157,958)
Balance as at 1st January 2022	383,283	186,850	(7,514,672)	997,869	(617,552)	508,696	(102,432)	(6,157,958)
Profit or loss (Note 16)								
Due to rate increase on opening deferred tax (asset)/liability (Note 16.3.2)	95,821	46,712	(1,878,669)	-	(13,951)	-	(25,608)	(1,775,695)
Due to change in deductible loan loss provision method (Note 16.5)	-	-	(2,618,024)	-	-	-	-	(2,618,024)
Due to change in temporary differences	23,931	(114,715)	(12,042,682)	-	(125,485)	-	(121,559)	(12,380,510)
Other comprehensive income								
Due to rate increase on opening deferred tax (asset)/liability (Note 16.3.2)	-	-	-	249,467	(140,436)	127,174	-	236,205
Due to change in temporary differences	-	-	-	293,374	343,854	324,510	-	961,738
Balance as at 31st December 2022	503,035	118,847	(24,054,047)	1,540,710	(553,570)	960,380	(249,599)	(21,734,244)

Group

Group	Accelerated Depreciation for Tax Purposes	Provision for Loan Losses	Revaluation on Land & Buildings	Retirement Benefit Obligation	Tax Losses on Leasing Operation	Gain/(Loss) on FVOCI Assets	Others	Total
	Property, Plant & Equipment	Leased Assets						
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2021	531,739	700,527	(5,291,140)	2,318,708	(1,956,824)	714,855	(168,133)	(3,168,194)
Profit or loss (Note 16)								
Due to rate reduction (Note 16.3.1)	(75,963)	(100,075)	755,877	-	71,629	-	24,019	678,048
Due to change in temporary differences	(42,720)	(322,466)	(3,097,031)	-	354,433	-	(24,410)	(3,116,829)
Other comprehensive income								
Due to rate reduction (Note 16.3.1)	-	-	-	(331,244)	207,917	(102,123)	-	(225,450)
Due to change in temporary differences	-	-	-	-	673,295	(101,795)	-	571,500
Transfer to the current tax liability - tax on realised gain from derecognition of equity instrument at FVOCI	-	-	-	-	-	(2,242)	-	(2,242)
Balance as at 31st December 2021	413,056	277,986	(7,632,294)	1,987,464	(649,550)	508,695	(168,524)	(5,263,167)
Balance as at 1st January 2022	413,056	277,986	(7,632,294)	1,987,464	(649,550)	508,695	(168,524)	(5,263,167)
Profit or loss (Note 16)								
Due to rate increase on opening deferred tax (asset)/ liability (Note 16.3.2)	103,264	69,497	(1,908,073)	-	(20,952)	-	(42,131)	(1,798,395)
Due to change in deductible loan loss provision method (Note 16.5)	-	-	(2,686,877)	-	-	-	-	(2,686,877)
Due to change in temporary differences	50,209	(209,195)	(12,064,618)	-	(134,681)	-	(132,478)	(12,490,763)
Other comprehensive income								
Due to rate increase on opening deferred tax (asset)/ liability (Note 16.3.2)	-	-	-	496,867	(141,436)	127,174	-	482,605
Due to change in temporary differences	-	-	-	558,454	347,148	324,510	-	1,230,112
Balance as at 31st December 2022	566,529	138,288	(24,291,862)	3,042,785	(599,471)	960,379	(343,133)	(20,526,485)

NOTES TO THE FINANCIAL STATEMENTS

33 OTHER ASSETS

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Pre-paid expenses	664,278	421,849	752,317	482,133
Reimbursement under special senior citizen deposit scheme	10,738,328	6,764,928	10,738,328	6,764,928
Items in transit	7,251,655	1,769,625	7,251,655	1,769,625
Other debtors	4,350,520	2,745,577	5,980,622	4,088,695
Pre-paid staff cost (Note 33.1)	3,585,095	2,949,373	3,604,034	2,972,598
Refundable deposits	17,346	12,589	38,248	39,680
Commission receivable on financial guarantees (Note 33.2)	23,752	44,680	23,752	44,680
	26,630,974	14,708,621	28,388,956	16,162,339

33.1 The Movement in the Pre-Paid Staff Cost

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	2,949,373	3,227,200	2,972,598	3,243,617
Add: Adjustment for new grants (net of settlements)	984,984	45,120	994,700	65,379
Charge to personnel expenses	(349,262)	(322,947)	(363,264)	(336,398)
Balance as at 31st December	3,585,095	2,949,373	3,604,034	2,972,598

33.2 Commission Receivable on Financial Guarantees

Bank & Group

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	44,680	63,046
Interest income	3,051	4,691
Commission received	(23,979)	(23,057)
Balance as at 31st December	23,752	44,680

34 DUE TO BANKS

ACCOUNTING POLICY

The accounting policies pertaining to "Due to Banks" are given in Note 3.4.3.7 to the Financial Statements.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Deposits (Note 34.1)	7,113,008	422,503	7,113,008	422,503
Borrowings (Note 34.2)	4,184,173	23,230,744	8,142,176	31,109,790
Total due to banks	11,297,181	23,653,247	15,255,184	31,532,293

34.1 Deposits

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Local Currency Deposits				
Demand deposits	106,406	11,533	106,406	11,533
Savings deposits	108,505	171,868	108,505	171,868
Term deposits	240,629	229,518	240,629	229,518
Margin deposits	9,494	9,494	9,494	9,494
Total local currency deposits	465,034	422,413	465,034	422,413
Foreign Currency Deposits				
Demand deposits	164	90	164	90
Term deposits	6,647,810	-	6,647,810	-
Total foreign currency deposits	6,647,974	90	6,647,974	90
Total deposits	7,113,008	422,503	7,113,008	422,503

34.2 Borrowings

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Call borrowings	-	4,500,736	-	4,500,736
Term borrowings	-	-	3,566,714	7,878,340
Foreign bank borrowings	4,062,501	18,164,209	4,062,501	18,164,209
Unfavourable balances with local & foreign banks	121,672	565,799	512,961	566,505
Total Borrowings	4,184,173	23,230,744	8,142,176	31,109,790

The Bank/Group has not had any default of principal and interest with regard to any liability during 2021 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

35 DUE TO DEPOSITORS

ACCOUNTING POLICY

The accounting policies pertaining to "Due to Depositors" are given in Note 3.4.3.7 to the Financial Statements.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Local Currency Deposits				
Demand deposits	53,597,498	58,918,844	53,572,363	58,817,154
Saving deposits	241,685,530	347,819,516	241,614,954	347,325,247
Call deposits	6,022	28,865	6,022	28,865
Term deposits	579,849,920	422,241,184	599,001,636	439,208,765
Certificates of deposits	5,888,555	13,266,157	5,888,555	13,266,157
Margin deposits	1,854,990	6,676,008	1,854,990	6,676,008
Total local currency deposits	882,882,515	848,950,574	901,938,520	865,322,196
Foreign Currency Deposits				
Demand deposits	12,245,502	6,419,632	12,245,502	6,419,632
Saving deposits	52,657,036	33,990,617	52,657,036	33,990,617
Term deposits	148,164,690	88,399,147	148,164,690	88,399,147
Margin deposits	150,131	185,982	150,131	185,982
Total foreign currency deposits	213,217,359	128,995,378	213,217,359	128,995,378
Total deposits	1,096,099,874	977,945,952	1,115,155,879	994,317,574

35.1 Analysis of Due to Depositors

35.1.1 By Product

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Demand deposits	65,843,000	65,338,476	65,817,865	65,236,786
Saving deposits	294,342,566	381,810,133	294,271,990	381,315,864
Call deposits	6,022	28,865	6,022	28,865
Term deposits	728,014,610	510,640,331	747,166,326	527,607,912
Certificates of deposits	5,888,555	13,266,157	5,888,555	13,266,157
Margin deposits	2,005,121	6,861,990	2,005,121	6,861,990
Total deposits	1,096,099,874	977,945,952	1,115,155,879	994,317,574

35.1.2 By Currency

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Sri Lankan Rupee	882,882,515	848,950,574	901,938,520	865,322,196
United States Dollar	199,853,189	118,965,520	199,853,189	118,965,520
Euro	3,619,105	2,716,417	3,619,105	2,716,417
Great Britain Pounds	4,693,262	3,119,970	4,693,262	3,119,970
Australian Dollar	3,549,340	2,516,583	3,549,340	2,516,583
Japanese Yen	332,749	216,015	332,749	216,015
New Zealand Dollar	31,522	506,512	31,522	506,512
Singapore Dollar	292,483	190,028	292,483	190,028
Others	845,709	764,333	845,709	764,333
Total deposits	1,096,099,874	977,945,952	1,115,155,879	994,317,574

35.1.3 Current Accounts and Savings Accounts (CASA)

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
CASA				
Local Currency Deposits				
-Due to banks	214,911	183,401	214,911	183,401
-Due to depositors	295,283,028	406,738,360	295,187,317	406,142,401
Total local currency deposits	295,497,939	406,921,761	295,402,228	406,325,802
Foreign Currency Deposits				
-Due to banks	164	90	164	90
-Due to depositors	64,902,538	40,410,249	64,902,538	40,410,249
Total foreign currency deposits	64,902,702	40,410,339	64,902,702	40,410,339
Total CASA deposits	360,400,641	447,332,100	360,304,930	446,736,141
Total Deposits				
Due to banks (Note 34.1)	7,113,008	422,503	7,113,008	422,503
Due to depositors	1,096,099,874	977,945,952	1,115,155,879	994,317,574
	1,103,212,882	978,368,455	1,122,268,887	994,740,077
CASA as a percentage (%) of total deposits	32.7	45.7	32.1	44.9

NOTES TO THE FINANCIAL STATEMENTS

36 DUE TO OTHER BORROWERS

Bank & Group

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Refinance borrowings	9,173,923	14,434,115	9,173,923	14,434,115
	9,173,923	14,434,115	9,173,923	14,434,115

The Bank/Group has not had any default of principal and interest with regard to any liability during 2022 and 2021.

37 DUE TO DEBT SECURITIES HOLDERS

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Redeemable debentures (Note 37.1)	21,973,516	27,996,119	27,210,652	34,263,734
Long term bond (Note 37.2)	3,286,020	3,010,473	3,286,020	3,010,473
Securitisation	-	-	2,375,589	-
Total	25,259,536	31,006,592	32,872,261	37,274,207
Due within 1 year	12,259,536	7,496,119	15,699,261	8,763,734
Due after 1 year	13,000,000	23,510,473	17,173,000	28,510,473
Total	25,259,536	31,006,592	32,872,261	37,274,207
Senior debt	-	-	4,485,315	2,109,726
Subordinated debt	25,259,536	31,006,592	28,386,946	35,164,481
Total	25,259,536	31,006,592	32,872,261	37,274,207

37.1 Redeemable Debentures

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	27,996,119	28,031,975	34,263,734	33,872,527
Debentures issued	-	6,000,000	-	7,500,000
Debentures redeemed	(6,000,000)	(6,000,000)	(7,000,000)	(7,078,010)
	21,996,119	28,031,975	27,263,734	34,294,517
Interest accrued during the year	3,177,897	3,384,967	3,839,268	4,090,611
Interest paid	(3,200,500)	(3,420,823)	(3,892,350)	(4,121,394)
Balance as at 31st December	21,973,516	27,996,119	27,210,652	34,263,734

37.1.1.1 Details of Debentures issued

Category	Colombo Stock Exchange Listing	No. of Debentures	Face Value Rs 000	Rate of Interest	Interest Payable Frequency	Tenor	Allotment Date	Maturity Date	Amortised Cost			
									As at 31.12.2022	As at 31.12.2021		
									Rs 000	Rs 000		
Debentures issued by the Bank*												
Fixed Rate Debentures												
2017	Listed	60,000,000	6,000,000	12.50%	Semi - annually	5 years	21-Dec-17	21-Dec-22	-	6,022,603		
2018	Listed	75,000,000	7,500,000	12.50%	Semi - annually	5 years	20-Mar-18	20-Mar-23	7,764,555	7,764,555		
2019	Listed	70,000,000	7,000,000	13.90%	Annually	5 years	28-Feb-19	28-Feb-24	7,818,386	7,818,386		
2021	Listed	60,000,000	6,000,000	9.00%	Annually	7 years	12-Apr-21	12-Apr-28	6,390,575	6,390,575		
Total debentures issued by the Bank									21,973,516	27,996,119		
Debentures issued by the Subsidiary, Siyapatha Finance PLC**												
Fixed Rate Debentures												
2017	Listed	10,000,000	1,000,000	12.50%	Annually	5 years	4-Oct-17	4-Oct-22	-	1,030,479		
2019	Listed	15,000,000	1,500,000	13.33%	Annually	5 years	8-Aug-19	8-Aug-24	1,579,980	1,579,980		
2020	Listed	20,000,000	2,000,000	11.25%	Annually	3 years	7-Jul-20	7-Jul-23	2,109,726	2,109,726		
2021	Listed	15,000,000	1,500,000	9.46%	Annually	5 Years	1-Sep-21	31-Aug-26	1,547,430	1,547,430		
Total debenture issued by the Subsidiary									5,237,136	6,267,615		
Total debentures issued by the Group											27,210,652	34,263,734

* Since 2017, the Bank has issued Basel III Tier II compliant listed rated unsecured subordinated redeemable debentures with a non-viability conversion at a par value of Rs 100/- each.

** Siyapatha Finance PLC has issued rated unsecured redeemable debentures at a par value of Rs 100/- each. The debentures issued in 2020 are senior debentures whilst all others are subordinated debentures.

The Bank & Siyapatha Finance PLC have redeemed the debentures issued in 2017 on 21st December 2022 and 4th October 2022 respectively.

NOTES TO THE FINANCIAL STATEMENTS

37 DUE TO DEBT SECURITIES HOLDERS CONTD.

37.2 Long Term Bond

Bank & Group

In 2003, the Bank issued a 20-year redeemable zero coupon bond with a redemption value of Rs 3,458 Mn. This bond will mature on 1st August 2023.

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	3,010,473	2,758,032
Interest accrued	275,547	252,441
Balance as at 31st December	3,286,020	3,010,473

38 RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

The accounting policies pertaining to "Retirement Benefit Obligation" are given in Note 13 to the Financial Statements.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Provision for gratuity (Note 38.1)	1,809,909	1,600,635	1,962,919	1,733,970
Leave accrual plan (Note 38.2)	274,845	278,946	274,845	278,946
EPF Interest guarantee plan (Note 38.3)	97,733	128,446	97,733	128,446
Net (asset)/liability-pension fund (38.4)	(337,259)	565,100	(337,259)	565,100
	1,845,228	2,573,127	1,998,238	2,706,462

38.1 Provision for Gratuity

38.1.1 Movement of Defined Benefit Obligation during the year

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	1,600,635	1,522,464	1,733,970	1,639,530
Current service cost	147,298	140,616	172,944	164,110
Interest expenses	185,674	111,140	201,090	120,331
Benefits paid from plan	(132,598)	(48,007)	(143,055)	(57,908)
Actuarial gain due to changes in assumptions				
- Financial assumptions	(37,050)	(97,278)	(45,263)	(104,921)
- Demographic assumptions	-	(64,394)	-	(68,590)
Actuarial experience loss	45,950	36,094	43,233	41,418
Balance as at 31st December	1,809,909	1,600,635	1,962,919	1,733,970

38.1.2 Amounts Recognised in Profit or Loss

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Current service cost	147,298	140,616	172,944	164,110
Interest expenses	185,674	111,140	201,090	120,331
Total amount recognised in profit or loss (Note 13)	332,972	251,756	374,034	284,441

38.1.3 Amounts Recognised in OCI

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Actuarial gain due to changes in assumptions*				
- Financial assumptions	(37,050)	(97,278)	(45,263)	(104,921)
- Demographic assumptions	-	(64,394)	-	(68,590)
Actuarial experience loss arising during the year	45,950	36,094	43,233	41,418
Total actuarial loss recognised in OCI	8,900	(125,578)	(2,030)	(132,093)

*Significant assumptions used for the actuarial valuation are given in Note 38.1.4

An Actuarial valuation of the gratuity fund of the Bank was carried out as at 31st December 2022 by Mr Piyal S Goonetilleke (Fellow of Society of Actuaries - USA) of Messrs Piyal S Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

38.1.4 Actuarial Assumptions - Bank

As at 31st December	2022	2021
Financial assumptions*		
Discount rate	18.0%	11.6%
Future salary increment rate	17.0%	10.8%
Demographic assumptions		
Mortality	RP 2000 Mortality Table	RP 2000 Mortality Table
Retirement age	60 years	60 years

* Discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the increase in market interest rates.

The Bank generally uses the 10-year treasury bond rate as the discount rate. The treasury bond rates increased significantly during the year and was around 30% range during the latter part of 2022. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued guidance [via Frequently Asked Questions (FAQs) on use of discount rate under the uncertain economic conditions] to consider an adjusted treasury bond rate as the discount rate for the purpose of the actuarial valuations as at 31st December 2022, on the basis that the current treasury bond rates do not reflect only the time value of money. Accordingly, an adjusted discount rate was derived by removing a credit spread from the current treasury bond rate, as per the guidance issued by CA Sri Lanka.

Expected average future working life of the active participants is 13.4 years (2021: 13.4 years).

NOTES TO THE FINANCIAL STATEMENTS

38 RETIREMENT BENEFIT OBLIGATION CONTD.

38.1.5 Sensitivity of Assumptions Employed in Gratuity Valuation - Bank

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the gratuity liability/Statement of Comprehensive Income by the amounts shown below.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2022		2021	
		Sensitivity Effect on Comprehensive Income Statement Increase/ (Decrease) in Comprehensive Income for the Year Rs Mn	Sensitivity Effect on Gratuity Liability Increase/ (Decrease) in Liability Rs Mn	Sensitivity Effect on Comprehensive Income Statement Increase/ (Decrease) in Comprehensive Income for the Year Rs Mn	Sensitivity Effect on Gratuity Liability Increase/ (Decrease) in Liability Rs Mn
1%	-	174.5	(174.5)	158.3	(158.3)
(1%)	-	(207.0)	207.0	(190.2)	190.2
-	1%	(204.7)	204.7	(187.4)	187.4
-	(1%)	175.5	(175.5)	159.1	(159.1)

All Subsidiaries of the Group carry out actuarial valuations to ascertain their respective gratuity liabilities. However assumptions and the sensitivity of the assumptions have been given only for the gratuity fund of the Bank since subsidiary gratuity liabilities do not have a material impact on the Group Financial Statements.

38.2 Leave Accrual Plan

38.2.1 Liability Recognised in the Statement of Financial Position

Bank & Group

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	278,946	285,940
Provision made during the year	(4,101)	(6,994)
Balance as at 31st December	274,845	278,946

38.3 EPF Interest Guarantee Plan

Employees' Provident Fund (EPF) is an approved private provident fund which has been set up to meet the provident fund liabilities of the Bank to which the Bank and employees contribute 12% and 8% respectively on the salary of each employee. Employees who are members of the fund are entitled to receive interest at a guaranteed rate of National Savings Bank's one year fixed deposit rate (net of income tax) on their balance even if the fund earns a lower return from its investment in a given financial year. As per Section 8 of the EPF Constitution, the Bank shall contribute any shortfall in the revenue account of the fund, after payment of interest at the said rate and other cost of administering the fund. Thus the Bank's obligation to EPF is not limited to 12% contribution referred to above and accordingly the fund was treated as a defined benefit liability as per Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits). An actuarial valuation was carried out by Mr Piyal S Goonetilleke (Fellow of Society of Actuaries - USA) of Messrs Piyal S Goonetilleke & Associates, a firm of professional actuaries to value the Bank's additional obligation arising from Section 8 of the EPF constitution as at 31st December 2022.

38.3.1 Movement of the Liability Recognised in the Statement of Financial Position**Bank & Group**

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	128,446	148,486
Current service cost and interest cost	23,542	21,733
Actuarial gain	(54,255)	(41,773)
Balance as at 31st December	97,733	128,446

38.3.2 Amounts Recognised in Profit or Loss**Bank & Group**

For the year ended 31st December	2022	2021
	Rs 000	Rs 000
Current service cost	8,642	10,892
Interest expense on defined benefit liability	14,900	10,841
Total amount recognised in profit or loss	23,542	21,733

38.3.3 Amounts Recognised in OCI**Bank & Group**

For the year ended 31st December	2022	2021
	Rs 000	Rs 000
Actuarial (gain)/loss due to changes in assumptions*		
- Financial assumptions	(41,278)	(69,456)
- Demographic assumptions	-	40,405
Actuarial gain due to experience adjustments	(12,977)	(12,722)
Total amount recognised in OCI	(54,255)	(41,773)

* Significant assumptions used for the actuarial valuation are given in Note 38.3.4.

NOTES TO THE FINANCIAL STATEMENTS

38 RETIREMENT BENEFIT OBLIGATION CONTD.

38.3.4 Actuarial Assumptions - Bank

	2022	2021
Financial assumptions*		
Discount rate	18.0%	11.6%
Future salary increment rate	17.0%	10.8%
Return from EPF investments	8.2%	4.5%
Long term guaranteed EPF interest rate (net of tax)	8.4%	4.7%
Demographic assumptions		
Mortality	RP 2000 Mortality Table	RP 2000 Mortality Table

Expected average future working life of the active participants is 13.4 years (2021: 13.4 years)

* Discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the increase in market interest rates.

The Bank generally uses the 10-year treasury bond rate as the discount rate. The treasury bond rates increased significantly during the year and was around 30% range during the latter part of 2022. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued guidance [via Frequently Asked Questions (FAQs) on use of discount rate under the uncertain economic conditions] to consider an adjusted treasury bond rate as the discount rate for the purpose of the actuarial valuations as at 31st December 2022, on the basis that the current treasury bond rates do not reflect only the time value of money. Accordingly, an adjusted discount rate was derived by removing a credit spread from the current treasury bond rate, as per the guidance issued by CA Sri Lanka.

38.3.5 Sensitivity of Assumptions Employed in EPF Interest Guarantee Plan Valuation

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the EPF interest guarantee liability/Statement of Comprehensive Income by the amounts shown below.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2022		2021	
		Sensitivity Effect on Comprehensive Income Statement Increase/ (Decrease) in Comprehensive Income for the Year Rs Mn	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in Liability Rs Mn	Sensitivity Effect on Comprehensive Income Statement Increase/ (Decrease) in Comprehensive Income for the Year Rs Mn	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in Liability Rs Mn
1%	-	8.7	(8.7)	13.3	(13.3)
(1%)	-	(10.0)	10.0	(15.6)	15.6
-	1%	(2.3)	2.3	(3.1)	3.1
-	(1%)	2.1	(2.1)	2.8	(2.8)

38.4 Pension Fund**38.4.1 Net (Asset)/liability Recognised in the Statement of Financial Position****Bank & Group**

As at 31st December	2022	2021
	Rs 000	Rs 000
Present value of funded obligations as at 31st December (Note 38.4.4)	7,336,784	9,012,682
Fair value of plan assets as at 31st December (Note 38.4.5)	(7,674,043)	(8,447,582)
Funded status	(337,259)	565,100
Present value of unfunded benefit obligation	-	-
Net (asset)/liability recognised in the Statement of Financial Position	(337,259)	565,100

There are no minimum funding requirements applicable to the pension fund and therefore the Bank is able to recover the defined benefit asset in future, via reduced contributions to the fund. Accordingly, the full defined benefit asset was recognised in the Financial Statements as at 31st December 2022.

38.4.2 Amounts Recognised in Profit or Loss**Bank & Group**

For the year ended 31st December	2022	2021
	Rs 000	Rs 000
Current service cost	261,478	407,154
Net interest expense on the net defined benefit liability	95,320	408,515
Gain on plan amendments	(158,333)	(1,958,789)
Total amount recognised in profit or loss (Note 13)	198,465	(1,143,120)

38.4.3 Amounts Recognised in OCI**Bank & Group**

For the year ended 31st December	2022	2021
	Rs 000	Rs 000
Actuarial gain due to changes in assumptions*		
- Financial assumptions	(2,655,618)	(3,211,157)
- Demographic assumptions	-	-
Actuarial loss due to experience adjustments	267,599	454,564
Actuarial loss from plan assets	1,287,195	119,711
Total amount recognised in OCI	(1,100,824)	(2,636,882)

* Significant assumptions used for the actuarial valuation are given in Note 38.4.6

NOTES TO THE FINANCIAL STATEMENTS

38 RETIREMENT BENEFIT OBLIGATION CONTD.

38.4.4 Defined Benefit Obligation Reconciliation

Bank & Group

	2022	2021
	Rs 000	Rs 000
Defined benefit obligation as at 1st January	9,012,682	12,661,904
Current service cost	261,478	407,154
Interest cost	1,060,794	1,012,952
Gain on plan amendments	(158,333)	(1,958,789)
Actual benefits paid from plan	(451,818)	(353,946)
Actuarial gain due to changes in assumptions		
- Financial assumptions	(2,655,618)	(3,211,157)
- Demographic assumptions	-	-
Actuarial loss due to experience adjustments	267,599	454,564
Defined benefit obligation as at 31st December	7,336,784	9,012,682

38.4.5 Fair Value of Plan Assets Reconciliation

Bank & Group

	2022	2021
	Rs 000	Rs 000
Fair value of plan assets as at 1st January	8,447,582	7,747,202
Interest income on plan assets	965,474	604,437
Actual employer contributions	-	569,600
Actual benefits paid from plan	(451,818)	(353,946)
Actuarial loss from plan assets	(1,287,195)	(119,711)
Fair value of plan assets as at 31st December (Note 38.4.5 (a))	7,674,043	8,447,582

An actuarial valuation of the Pension Fund was carried out as at 31st December 2022 by Mr Piyal S Goonetilleke (Fellow of Society Actuaries - USA) of Messrs Piyal S Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

38.4.5(a) Fair Value of Plan Assets Consists of the Following

Bank & Group

As at 31st December	2022	2021
	Rs 000	Rs 000
Equity securities & debentures - quoted	798,001	1,410,580
Term deposits	5,327,197	5,922,265
Government securities	718,054	264,654
Others	830,791	850,083
Fair value of plan assets	7,674,043	8,447,582

38.4.6 Actuarial Assumptions

Bank & Group

As at 31st December	2022	2021
Financial assumptions*		
Discount rate	18.0%	11.8%
Future salary increment rate	17.0%	10.8%
Expected return on assets	18.0%	11.8%
Demographic assumptions		
Mortality	RP 2000 Mortality Table	RP 2000 Mortality Table
Retirement age	60 years	60 years

Expected average future life of the active and retired participants is 29.5 years (2021: 30.5 years).

The weighted average duration of the defined benefit obligation is 10.2 years (2021: 13.1 years).

* Discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the increase in market interest rates.

The Bank generally uses the 15-year treasury bond rate as the discount rate. The treasury bond rates increased significantly during the year and was around 30% range during the latter part of 2022. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued guidance [via Frequently Asked Questions (FAQs) on use of discount rate under the uncertain economic conditions] to consider an adjusted treasury bond rate as the discount rate for the purpose of the actuarial valuations as at 31st December 2022, on the basis that the current treasury bond rates do not reflect only the time value of money. Accordingly, an adjusted discount rate was derived by removing a credit spread from the current treasury bond rate, as per the guidance issued by CA Sri Lanka.

38.4.7 Sensitivity of Assumptions Employed in Pension Fund Valuation

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the net pension liability/Statement of Comprehensive Income by the amounts shown below.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2022		2021	
		Sensitivity Effect on Statement of Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year Rs Mn	Sensitivity Effect on Employment Benefit Obligation Increase/(Decrease) in Pension Liability Rs Mn	Sensitivity Effect on Statement of Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year Rs Mn	Sensitivity Effect on Employment Benefit Obligation Increase/(Decrease) in Pension Liability Rs Mn
1%	-	583.6	(583.6)	952.9	(952.9)
(1%)	-	(667.6)	667.6	(1,128.6)	1,128.6
-	1%	(342.0)	342.0	(532.3)	532.3
-	(1%)	315.8	(315.8)	486.7	(486.7)

NOTES TO THE FINANCIAL STATEMENTS

39 CURRENT TAX LIABILITIES/(RECEIVABLES)

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Current tax liabilities	18,754,155	7,524,844	19,186,239	8,375,511
Current tax receivables	-	-	-	(4,177)
Net current tax liability (Note 39.1)	18,754,155	7,524,844	19,186,239	8,371,334

39.1 Current Tax Liabilities/(Receivables)

	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Balance as at 1st January	7,524,844	4,674,756	8,371,334	4,750,021
Current tax based on profit for the year (Note 16)	16,671,170	7,224,162	17,277,470	8,270,591
(Over)/Under provision in respect of previous years (Note 16)				
Due to change in deductible loan loss provision method (Note 16.5)	2,376,727	-	2,445,580	-
Due to rate reduction (Note 16.3.1)		(817,459)	-	(882,241)
Other (reversals)/charges including settlements (Note 16)	(383,674)	-	(412,906)	19,076
Transferred from deferred tax - derecognition of equity instruments at FVOCI (Note 32.1)	-	2,242	-	2,242
Payment of tax	(7,434,912)	(3,558,857)	(8,495,239)	(3,788,355)
Balance as at 31st December	18,754,155	7,524,844	19,186,239	8,371,334

40 OTHER LIABILITIES

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Deposit insurance premium payable	273,166	243,607	275,512	245,723
Deferred income	377,233	406,434	377,233	406,434
Lease liability (Note 31.1)	4,291,844	3,726,611	3,908,634	3,493,648
Pay orders and drafts issued	1,103,610	1,209,797	1,103,610	1,209,797
Items in transit	11,329,643	4,594,357	11,329,643	4,594,357
Accrued expenses	6,248,457	3,826,035	6,365,395	3,969,311
Impairment provision for expected credit loss- credit related commitments & contingencies (Note 45.2)	3,119,064	2,259,974	3,113,300	2,224,118
Other payable (Note 40.1)	4,953,653	2,843,427	6,267,957	4,770,150
	31,696,670	19,110,242	32,741,284	20,913,538

40.1 Other payable includes amounts payable to credit/debit card merchants on account of point-of-sale transactions, amounts payable to vendors on account of finance lease transactions, unclaimed balances and other miscellaneous payable balances that have arisen in the ordinary course of business of the Bank/Group.

41 STATED CAPITAL**Bank & Group**

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	47,622,493	47,622,493
Rights issue	-	-
Scrip dividend	-	-
Balance as at 31st December	47,622,493	47,622,493

Rights, preferences and restrictions of classes of capital

The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Bank.

41.1 Reconciliation of Number of Shares**Bank & Group**

	2022	2021
Ordinary shares as at 1st January	1,144,373,955	381,457,985
Shares issued under sub-division	-	762,915,970
Ordinary shares as at 31st December	1,144,373,955	1,144,373,955

42 STATUTORY RESERVE FUND

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	5,075,000	4,450,000	5,315,000	4,635,000
Transfer during the year	680,000	625,000	718,000	680,000
Balance as at 31st December	5,755,000	5,075,000	6,033,000	5,315,000

The statutory reserve fund is maintained as required by the section 20 (1) of the Banking Act No. 30 of 1988. A sum equivalent to not less than 5% of the profit after tax before any dividend is declared or any profits are transferred to elsewhere, should be transferred to above reserve until the reserve is equal to 50% of the Bank's stated capital. Thereafter, a further sum equivalent to 2% of such profits should be transferred to the statutory reserve fund until the amount of the said reserve fund is equal to the stated capital of the Bank.

Siyapatha Finance PLC too transfers 5% of its profit after tax, to the statutory reserve fund, as required by the Finance Companies (Capital Funds) Direction No. 01 of 2003.

NOTES TO THE FINANCIAL STATEMENTS

43 OTHER RESERVES

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Revaluation reserve (Note 43.1)	3,594,984	3,159,910	7,092,922	6,293,636
Fair value through other comprehensive income reserve (Note 43.2)	2,248,650	1,618,637	2,248,650	1,618,637
General reserve (Note 43.3)	58,989,347	52,468,905	58,989,347	52,468,905
	64,832,981	57,247,452	68,330,919	60,381,178

43.1 Revaluation Reserve

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings as at the date of revaluation.

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	3,159,910	2,993,599	6,293,636	5,962,392
Revaluation surplus	977,915	-	1,854,607	-
Deferred tax effect on revaluation surplus including the effect of rate change on the opening balance	(542,841)	166,311	(1,055,321)	331,244
Balance as at 31st December	3,594,984	3,159,910	7,092,922	6,293,636

43.2 Fair Value through Other Comprehensive Income Reserve

The fair value through other comprehensive income (FVOCI) reserve comprises the cumulative net change in fair value of financial assets measured at FVOCI, until such investments are derecognised or impaired.

Bank & Group

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	1,618,637	1,838,203
Loss on re-measurement - debt instruments at FVOCI	(4,477,620)	(1,381,203)
Reclassification to profit or loss due to derecognition - debt instruments at FVOCI	13,481	(30,313)
Changes in impairment for expected credit losses - debt instruments at FVOCI (Note 12)	538,230	34,373
Reclassification of treasury bonds at FVOCI to amortised cost	4,787,611	-
(Loss)/gain on re-measurement - equity instruments at FVOCI	(3,213,837)	670,639
Exchange differences - equity instruments at FVOCI	3,433,832	290,118
Deferred tax effect (Note 32.1)		
Due to rate reduction	(127,174)	102,123
Due to change in temporary difference	(324,510)	101,795
Realised gain (net of tax) from derecognition of equity instruments at FVOCI (Note 44)	-	(7,098)
Balance as at 31st December	2,248,650	1,618,637

43.3 General Reserve

The Board of Directors decides the amount to be transferred to general reserve from retained earnings after retaining a substantial amount to pay proposed dividend. The purpose of setting up the general reserve is to meet the potential future unknown commitments.

Bank & Group

	2022	2021
	Rs 000	Rs 000
Balance as at 1st January	52,468,905	46,455,786
Unclaimed dividend adjustments	20,442	13,119
Transfer during the year	6,500,000	6,000,000
Balance as at 31st December	58,989,347	52,468,905

44 RETAINED EARNINGS

	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January	8,806,714	4,188,723	13,866,847	7,900,780
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 (Note 16.4)	(2,670,567)	-	(3,232,510)	-
Adjusted balance as at 1st January	6,136,147	4,188,723	10,634,337	7,900,780
Profit for the year	13,134,152	12,457,497	14,060,510	13,856,461
Actuarial gain on defined benefit plans	1,146,179	2,804,233	1,157,109	2,810,748
Deferred tax effect including the effect of rate change on the opening balance	(203,418)	(878,809)	(205,712)	(881,212)
Final dividend for 2020: Cash	-	(3,147,028)	-	(3,147,028)
Final dividend for 2021: Cash	(4,863,589)	-	(4,863,589)	-
Realised gain (net of tax) from derecognition of equity instruments at FVOCI (Note 43.2)	-	7,098	-	7,098
Transfers to reserves during the year	(7,180,000)	(6,625,000)	(7,218,000)	(6,680,000)
Balance as at 31st December	8,169,471	8,806,714	13,564,655	13,866,847

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS AND CONTINGENCIES

ACCOUNTING POLICY

The accounting policies pertaining to "Commitments and Contingencies" are given in Note 3.4.3.8 to the Financial Statements.

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Local currency				
Credit related commitments & contingencies				
Undrawn - direct credit facilities	103,715,092	116,131,327	102,562,272	112,835,421
Undrawn - indirect credit facilities	66,213,062	57,613,236	66,213,062	57,613,236
Acceptances	89,863	67,600	89,863	67,600
Documentary credit	1,174,783	287,337	1,174,783	287,337
Guarantees	39,984,632	53,083,763	39,990,333	53,089,963
Credit related commitments & contingencies-Local currency	211,177,432	227,183,263	210,030,313	223,893,557
Other commitments & contingencies				
Capital commitments	843,434	993,495	1,113,432	2,012,296
Operating lease commitments (Note 45.4)	64,405	41,162	64,405	41,162
Forward exchange contracts	1,349,606	80,035	1,349,606	80,035
Currency SWAPs	4,631,690	15,480,576	4,631,690	15,480,576
Other commitments & contingencies-Local currency	6,889,135	16,595,268	7,159,133	17,614,069
Gross commitments & contingencies-Local currency	218,066,567	243,778,531	217,189,446	241,507,626
Foreign currency				
Credit related commitments & contingencies				
Undrawn - direct credit facilities	46,406,625	27,363,109	46,406,625	27,363,109
Undrawn - indirect credit facilities	8,878,121	2,181,812	8,878,121	2,181,812
Acceptances	12,421,381	39,851,992	12,421,381	39,851,992
Documentary credit	19,816,721	43,515,108	19,816,721	43,515,108
Guarantees	3,839,585	3,691,563	3,839,585	3,691,563
Credit related commitments & contingencies-Foreign currency	91,362,433	116,603,584	91,362,433	116,603,584
Other commitments & contingencies				
Capital commitments	117,551	17,419	117,551	17,419
Forward exchange contracts	2,666,132	8,078,834	2,666,132	8,078,834
Currency SWAPs	6,269,548	25,861,288	6,269,548	25,861,288
Other commitments & contingencies-Foreign currency	9,053,231	33,957,541	9,053,231	33,957,541
Gross commitments & contingencies-Foreign currency	100,415,664	150,561,125	100,415,664	150,561,125
Total gross commitments & contingencies	318,482,231	394,339,656	317,605,110	392,068,751
Impairment for expected credit losses-credit related commitments & contingencies (Note 45.2)	(3,119,064)	(2,259,974)	(3,113,300)	(2,224,118)
Commitments & contingencies - net of impairment for expected credit losses	315,363,167	392,079,682	314,491,810	389,844,633

45.1 Analysis of Credit Related Commitment and Contingencies based on the Exposure to Credit Risk

Bank

As at 31st December 2022	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn-direct credit facilities	134,560,688	15,561,029	-	150,121,717
Undrawn-indirect credit facilities	52,055,778	23,020,405	15,000	75,091,183
Acceptances	11,031,940	1,443,598	35,706	12,511,244
Documentary credit	18,421,412	2,562,631	7,461	20,991,504
Guarantees	24,039,293	17,437,135	2,347,789	43,824,217
Gross credit related commitments & contingencies	240,109,111	60,024,798	2,405,956	302,539,865
Impairment for expected credit losses	(2,128,073)	(975,413)	(15,578)	(3,119,064)
Net credit related commitments & contingencies	237,981,038	59,049,385	2,390,378	299,420,801

As at 31st December 2021	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn-direct credit facilities	125,728,863	17,762,843	2,730	143,494,436
Undrawn-indirect credit facilities	46,405,880	13,354,168	35,000	59,795,048
Acceptances	35,743,417	3,905,063	271,112	39,919,592
Documentary credit	38,945,289	4,581,030	276,126	43,802,445
Guarantees	42,432,518	13,731,625	611,183	56,775,326
Gross credit related commitments & contingencies	289,255,967	53,334,729	1,196,151	343,786,847
Impairment for expected credit losses	(1,305,597)	(618,862)	(335,515)	(2,259,974)
Net credit related commitments & contingencies	287,950,370	52,715,867	860,636	341,526,873

Group

As at 31st December 2022	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn-direct credit facilities	133,407,868	15,561,029	-	148,968,897
Undrawn-indirect credit facilities	52,055,778	23,020,405	15,000	75,091,183
Acceptances	11,031,940	1,443,598	35,706	12,511,244
Documentary credit	18,421,412	2,562,631	7,461	20,991,504
Guarantees	24,044,994	17,437,135	2,347,789	43,829,918
Gross credit related commitments & contingencies	238,961,992	60,024,798	2,405,956	301,392,746
Impairment for expected credit losses	(2,122,309)	(975,413)	(15,578)	(3,113,300)
Net credit related commitments & contingencies	236,839,683	59,049,385	2,390,378	298,279,446

As at 31st December 2021	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn-direct credit facilities	122,432,957	17,762,843	2,730	140,198,530
Undrawn-indirect credit facilities	46,405,880	13,354,168	35,000	59,795,048
Acceptances	35,743,417	3,905,063	271,112	39,919,592
Documentary credit	38,945,289	4,581,030	276,126	43,802,445
Guarantees	42,438,718	13,731,625	611,183	56,781,526
Gross credit related commitments & contingencies	285,966,261	53,334,729	1,196,151	340,497,141
Impairment for expected credit losses	(1,269,741)	(618,862)	(335,515)	(2,224,118)
Net credit related commitments & contingencies	284,696,520	52,715,867	860,636	338,273,023

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS AND CONTINGENCIES CONTD.

45.2 Impairment for Expected Credit Losses-Credit Related Commitments and Contingencies

	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Stage 1				
Balance as at 1st January	1,305,597	1,155,451	1,269,741	1,156,568
Net charge for the year (Note 12)	639,857	150,146	669,949	113,173
Other adjustments including exchange differences	182,619	-	182,619	-
Balance as at 31st December	2,128,073	1,305,597	2,122,309	1,269,741
Stage 2				
Balance as at 1st January	618,862	348,123	618,862	348,123
Net charge for the year (Note 12)	288,329	270,739	288,329	270,739
Other adjustments including exchange differences	68,222	-	68,222	-
Balance as at 31st December	975,413	618,862	975,413	618,862
Stage 3				
Balance as at 1st January	335,515	182,232	335,515	182,232
Net (reversal)/charge for the year (Note 12)	(320,818)	153,283	(320,818)	153,283
Other adjustments including exchange differences	881	-	881	-
Balance as at 31st December	15,578	335,515	15,578	335,515
Total				
Balance as at 1st January	2,259,974	1,685,806	2,224,118	1,686,923
Net charge for the year (Note 12)	607,368	574,168	637,460	537,195
Other adjustments including exchange differences	251,722	-	251,722	-
Balance as at 31st December	3,119,064	2,259,974	3,113,300	2,224,118

45.3 Capital Commitments

Capital expenditure approved by the Board of Directors, for which provisions have not been made in the accounts are detailed below.

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Approved & contracted for	821,080	244,883	1,091,078	1,263,684
Approved but not contracted for	139,905	766,031	139,905	766,031
	960,985	1,010,914	1,230,983	2,029,715

45.4 Operating Lease Commitments**Bank & Group**

As at 31st December	2022	2021
	Rs 000	Rs 000
Less than 1 year	64,405	41,162
More than 1 year	-	-
	64,405	41,162

45.5 Other Contingent Liabilities**45.5.1 Litigation against the Bank**

Litigation is a common occurrence in the banking industry due to the nature of its business and in that light, the Bank has formal controls and policies in place for managing and defending any legal actions instituted against it. Pursuant to obtaining professional advice and estimating any loss likely to be incurred by the Bank if any, adjustments are made to the accounts of the Bank in order to accommodate any adverse effects that such claims may have on its financial standing.

i. The following cases instituted against the Bank are currently being adjudicated before court.

(a) Case No. 7058/DMR

The Plaintiff instituted this action against the Bank, claiming a sum of Rs 20 Mn on the purported basis that the Bank has increased the rate of interest in respect of the housing loan obtained by the Plaintiff thereby causing loss to the Plaintiff. While the case is currently being adjudicated before the District Court, we noted that the letter of offer confirms that the Bank has the right to increase the rate of interest.

(b) DC Colombo Case No. 891/13/MR

The above case was instituted against the Bank claiming damages for Rs 143 Mn on the purported basis that the Bank has unlawfully auctioned a property under the provisions of Act No. 4 of 1990. The Bank has taken up the position that it has at all times acted in strict conformity with the applicable law.

(c) CHC Colombo Case No. 29/13/MR

The Plaintiff has filed this action against the Bank claiming damages in a sum of Rs 40 Mn on the alleged basis that the Bank illegally suspended his credit balance of Rs 299,209.43 resulting in two cheques issued by him being dishonoured. Over Rs 3 Mn is due to the Bank from the said customer on a charge back created through the payment gateway, which was utilised by the customer. The Bank is defending this action on the basis of right of set off recognised by law relating to banking facilities. Judgment delivered in favour of the Bank.

An appeal was preferred to Supreme Court by the Plaintiff and the case yet to be commenced.

(d) CHC Colombo Case No. 299/13/MR

The Plaintiff instituted the above action against the Bank claiming damages in a sum of Rs 250 Mn on the purported basis that the Bank has unlawfully suspended the operation of his current account and the payment gateway facility provided to him by the Bank.

A sum in excess of Rs 3 Mn is due to the Bank from the Plaintiff on a charge back created through the payment gateway, utilised by the Plaintiff. The Bank is defending this action on the basis that it has right in law, to set-off dues against other facilities granted to the Plaintiff by the Bank. Judgment delivered in favour of the Bank.

An appeal was preferred to Supreme Court by the Plaintiff and the case yet to be commenced.

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS AND CONTINGENCIES CONTD.

(e) CHC Colombo Case No. CHC/167/2020/MR and Case No. CHC/168/2020/MR

The Plaintiffs have filed the above actions against the Bank claiming a sum of Rs 250 Mn and Rs 100 Mn respectively, from inter-alia the Bank on the purported basis that the Bank has erroneously uplifted the deposits and transferred monies from Plaintiffs personal and corporate accounts without his consent and knowledge. The Bank is of the view that it has acted as per the provisions of law.

The orders of the above cases were delivered in favour of the Bank by dissolving the enjoining orders and refusing to grant the interim reliefs sought.

(f) Case No. CA/WRIT/205/2020

This writ application has been filed by the Plaintiffs of CHC/167/2020/MR & CHC/168/2020/MR on the almost identical grounds and Court of Appeal dismissed the application of the petitioners on 18th November 2020.

An appeal was preferred to the Supreme Court by the petitioners against the judgement delivered in favour of the Bank.

(g) Case No. SC/SPL/LA/22/2020 & SC/SPL/LA/23/2020 & SC/SPL/LA/258/2020

These applications were preferred by the Plaintiffs of CHC/167/2020/MR, CHC/168/2020/MR and CA/WRIT/205/2020 against the orders delivered in favour of the Bank by dissolving the enjoining orders and refusing to grant the interim reliefs sought.

(h) Case No. CHC/91/2020/MR

The Plaintiff has filed this action claiming damages of Rs 216 Mn on the purported basis that the Bank has unlawfully honoured the guarantee claim of the beneficiary. The Bank has taken up the position that it has all times acted in strict conformity with the applicable law.

(i) Case No. CHC/21/2021/MR

The Plaintiff instituted this action against the Bank claiming damages in a sum of Rs 897 Mn on the purported basis that the Bank has recovered part of the outstanding facilities without consent of the customer. However, the Bank has taken up the position that it has all times acted on the written instructions of the customer and in strict conformity with the applicable law.

ii) In addition to the above cases, the following cases have also been filed against the Bank in order to prevent the Bank from enforcing the mortgages to recover its dues:

- (a) Nine actions have been filed in Supreme Court
- (b) Eight actions have been filed in Court of Appeal
- (c) Sixty six actions have been filed in Commercial High Court
- (d) One hundred and thirty four actions have been filed in District Courts

45.5.2 Litigation on Employment and Industrial Relations

There are no material legal issues outstanding against the Bank and Group on employment and industrial relations as at 31st December 2022.

45.5.3 Litigation against the Group

Siyapatha Finance PLC

(a) D C Kandy Case No. DLM/213/2018

Previous owner of the customer's property has filed an action against the present owner and Siyapatha Finance PLC, challenging the Deed of Transfer between herself and the customer. Siyapatha Finance PLC has already filed action against the customer under case No. CHC/452/18/MR demanding a sum of Rs 19 Mn which is fixed for trial on 04th May 2023 and negotiating settlement with the customer.

Other than those disclosed above, there is no case filed against the Group which would have material impact on the financial position of the Group.

46 NET ASSET VALUE PER SHARE

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Amounts used as the numerator:				
Total equity attributable to equity holders of the Bank (Rs)	126,379,945	118,751,659	135,551,067	127,185,518
Number of ordinary shares used as the denominator:				
Total number of shares (Note 41.1)	1,144,373,955	1,144,373,955	1,144,373,955	1,144,373,955
Net assets value per share (Rs)	110.44	103.77	118.45	111.14

47 RELATED PARTY DISCLOSURES

The Bank and the Group carry out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details of which are reported below.

47.1 Terms and Conditions

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank/Group and its unrelated customers with similar credit standing.

47.2 Parent and Ultimate Controlling Party

The Bank does not have an identifiable parent of its own.

47.3 Transactions with Key Management Personnel (KMP)

As per Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity).

Accordingly, the Board of Directors of the Bank are considered as KMP of the Bank and the Group.

47.3.1 Compensation to KMP

For the year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Short term employment benefits				
Directors' fees & expenses	97,853	82,868	102,464	87,216
Short term benefits	109,930	87,894	109,930	87,894
Post-employment benefits	9,683	8,030	9,683	8,030
Total	217,466	178,792	222,077	183,140

NOTES TO THE FINANCIAL STATEMENTS

47 RELATED PARTY DISCLOSURES CONTD.

47.3.2 Transactions with KMP and their Close Family Members (CFM)

CFMs of the KMP are those family members who may be expected to influence the KMP or be influenced by that KMP in their dealings with the entity. They may include KMP's spouse, children, domestic partner, children of the KMP's spouse/domestic partner and dependents of the KMP, KMP's spouse/domestic partner. Aggregate value of the transactions with KMP and their CFMs are disclosed below.

As at 31st December	2022			2021		
	Limit	Closing Balance	Average Balance	Limit	Closing Balance	Average Balance
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans & advances	48,000	15,049	26,801	61,572	54,399	54,801
Credit cards	11,100	4,629	2,018	9,220	6,013	2,027
Indirect facilities	72,000	-	-	80,000	-	-
Deposits		790,406	410,266		171,325	169,262
Debentures		5,000	5,000		5,000	13,307

For the year ended 31st December	2022	2021
	Rs 000	Rs 000
Interest & other income	4,383	4,012
Interest expense	42,198	10,056
Cash dividend paid	8,500	5,500

No losses have been recorded against loan balances outstanding with KMP during the period and no specific provisions have been made under impairment losses against such balances as at the reporting date.

47.4 Transactions with Subsidiaries

Details of the subsidiaries are given in Note 28. Aggregate value of transactions with subsidiaries are disclosed below.

Subsidiary Company	Nature of Facility/ Transaction	2022			2021		
		Limit	Average Balance	31st December Balance	Limit	Average Balance	31st December Balance
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Sampath Centre Ltd	As at						
	Loans & advances	1,021,428	1,020,360	1,021,406	1,125,000	919,047	1,026,477
	Other assets		62,754	62,754		62,754	62,754
	Deposits		213,613	125,589		265,321	324,775
	Other liabilities		83,814	27,754		72,302	71,491
	For the year ended						
	Dividend income			39,318			22,938
	Income & fees received			68,675			89,042
	Expenses & fees paid			488,917			442,619

Subsidiary Company	Nature of Facility/ Transaction	2022			2021		
		Limit	Average Balance	31st December Balance	Limit	Average Balance	31st December Balance
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
SC Securities (Pvt) Ltd	As at						
	Loans & advances	400,000	105,557	226,236	404,050	135,276	35,805
	Deposits		50,859	11,685		35,742	38,891
	Other liabilities		-	-		118,600	-
	Indirect facilities		-	-		1,400	-
	For the year ended						
	Dividend income			11,011			6,424
	Income & fees received			32,018			11,992
	Expenses & fees paid			6,940			7,605
Siyapatha Finance PLC	As at						
	Loans & advances	5,633,533	4,462,324	5,155,489	5,483,333	3,233,639	2,941,719
	Deposits		69,470	61,107		89,632	158,642
	Other liabilities		430,487	-		200,000	-
	Indirect facilities	-	-	-	400,000	-	-
	For the year ended						
	Dividend income			328,344			123,214
	Income & fees received			1,004,657			243,738
	Expenses & fees paid			44,212			2,961
Sampath Information Technology Solutions Ltd	As at						
	Loans & advances	50,000	9,954	-	450,500	51,285	20,534
	Deposits		92,189	87,659		96,939	220,992
	Other liabilities		210,426	185,918		185,407	128,511
	Indirect facilities	375,000	4,756	1,722	25,000	11,095	16,466
	For the year ended						
	Dividend income			16,490			5,123
	Income & fees received			1,826			4,510
	Expenses & fees paid excluding reimbursement of expenses			267,530			250,586
	Purchase of computer hardware & software			98,956			44,789

The Directors' valuation of investments in subsidiaries has been carried out on net asset basis as at 31st December 2022. The net asset value of all subsidiary companies exceeded carrying value of the investments as at 31st December 2022. Accordingly, the Bank has not made any specific provisions under impairment losses against its investment in subsidiary companies as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

47 RELATED PARTY DISCLOSURES CONTD.

47.5 Transactions with Other Related Parties

47.5.1 Transactions with Entities Controlled and/or Jointly Controlled by KMP or their CFMs

As at 31st December	2022			2021		
	Limit	Average Balance	Closing Balance	Limit	Average Balance	Closing Balance
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans & advances	4,001,700	1,138,494	2,482,697	6,651,700	862,238	329,651
Indirect facilities	600,000	307,715	161,704	93,500	9,095	37,193
Deposits		100,830	194,799		77,914	48,815

For the year ended 31st December	2022	2021
	Rs 000	Rs 000
Interest & other income	83,550	47,515
Interest & other expenses	3,471	525
Cash dividend	4,909	3,176

No losses have been recorded against loan balances outstanding with the entities controlled/jointly controlled by KMP/CFMs of KMP during the period and no specific provisions have been made under impairment losses against such balances as at the reporting date.

47.5.2 Transactions with Post Employment Benefit Plans of the Bank

Name of the Post Employment Benefit Plan	Nature of Transactions	2022		2021	
		Average Balance	31st December Balance	Average Balance	31st December Balance
		Rs 000	Rs 000	Rs 000	Rs 000
Sampath Bank Employees' Provident Fund	As at				
	Deposits	2,632,251	2,615,431	1,739,751	1,433,765
	Debentures	943,500	943,500	811,708	943,500
	Interest payable	218,157	330,585	131,995	197,928
	For the year ended				
	Interest expense		475,500		207,368
Sampath Bank Employees' Pension Fund	As at				
	Deposits	1,438,419	2,917,706	559,192	51,730
	Debentures	809,000	809,000	658,833	809,000
	Investment in Sampath Bank				
	Shares - market value	453,110	397,205	625,524	601,580
	Investment in REPO	625,649	-	-	-
	Interest payable	119,241	309,114	54,002	56,549
	Net (asset)/liability in the Bank's Financial Statements (Note 38.4.1)		(337,259)		565,100
	For the year ended				
	Interest expense		492,847		102,285
	Dividend paid - Cash		49,073		31,753

48 SEGMENT INFORMATION**ACCOUNTING POLICY**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Group has identified four operating segments based on products and services, as follows:

- ✎ Corporate Banking
- ✎ Retail and Personal Banking
- ✎ Dealing/Investment
- ✎ Others

Retail and personal banking includes the activities of Siyapatha Finance PLC in addition to the retail and personal banking business of the Bank. Dealing/Investment involves activities such as stock broking, securities dealing, investment banking and foreign currency related services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Consolidated Financial Statements. Taxes are managed at an entity level and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest income as a performance measure, not the gross income and expense.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Bank's total revenue in 2022 or 2021.

The following table presents income, profit, total assets, total liabilities & cash flows of the Group's operating segments.

NOTES TO THE FINANCIAL STATEMENTS

48 SEGMENT INFORMATION CONTD.

For the year ended 31st December	Corporate Banking			Retail & Personal Banking			Dealing/Investment			Others			(Eliminations)/ Unallocated			Total		
	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Net interest income	47,746,614	12,258,017	47,843,168	32,852,475	15,600,571	10,635,651	-	-	(35,148,260)	(10,228,943)	76,042,093	45,518,200						
Net fee & commission income	6,233,768	2,975,792	13,517,204	8,777,936	433,824	717,281	-	-	-	-	20,184,796	12,471,009						
Net (loss)/gain from trading	-	-	-	-	(2,266,306)	399,243	-	-	-	-	(2,266,306)	399,243						
Net gain on derecognition of financial assets	-	-	-	-	559,216	150,413	-	-	-	-	559,216	150,413						
Net other operating income	143,270	142,822	2,046,560	1,507,970	(1,414,509)	2,341,422	126,408	96,613	19,346,308	1,771,748	20,248,037	5,860,575						
Total revenue from external customers	54,123,652	15,376,631	63,406,932	43,138,381	12,912,796	14,245,010	126,408	96,613	(15,801,952)	(8,457,195)	114,767,836	64,399,440						
Inter segment (expense)/income	(1,501,031)	(342,033)	1,544,461	428,745	-	-	-	-	685,590	595,838	(729,020)	-						
Total operating income	52,622,621	15,034,598	64,951,393	43,567,126	12,912,796	14,245,010	126,408	96,613	(15,801,952)	(8,457,195)	114,767,836	64,399,440						
Less: Impairment charge	28,725,504	6,903,761	26,311,844	8,063,356	7,844,254	3,740,198	12,448	285	14,071	(148,400)	62,908,121	18,559,200						
Net operating income	23,897,117	8,130,837	38,639,549	35,503,770	5,068,542	10,504,812	799,550	692,166	(16,545,043)	(8,991,345)	51,859,715	45,840,240						
Less: Total operating expenses	516,687	441,498	17,243,591	13,861,521	429,661	482,004	428,149	472,601	11,270,229	7,461,733	29,888,317	22,719,357						
Segment result	23,380,430	7,689,339	21,395,958	21,642,249	4,638,881	10,022,808	371,401	219,565	(27,815,272)	(16,453,078)	21,971,398	23,120,883						
Less: Taxes on financial services											5,576,779	4,295,777						
Less: Income tax expense											2,334,109	4,968,645						
Profit for the year											14,060,510	13,856,461						
Non controlling interest											-	-						
Profit attributable to equity holders of the Bank											14,060,510	13,856,461						

As at 31st December	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Segment assets	422,488,549	356,821,940	489,114,995	494,687,698	344,425,424	351,627,227	8,507,184	7,671,072	(11,500,447)	(9,082,433)	1,253,035,705	1,201,725,504						
Unallocated assets	-	-	-	-	-	-	-	-	114,283,857	40,907,146	114,283,857	40,907,146						
Total assets	422,488,549	356,821,940	489,114,995	494,687,698	344,425,424	351,627,227	8,507,184	7,671,072	102,783,410	31,824,713	1,367,319,562	1,242,632,650						
Segment liabilities	40,942,456	33,058,145	1,095,172,868	964,379,516	9,387,667	22,987,301	2,988,784	2,664,129	(7,823,991)	(5,669,655)	1,140,667,784	1,017,419,436						
Unallocated liabilities	-	-	-	-	-	-	-	-	91,100,711	98,027,696	91,100,711	98,027,696						
Total liabilities	40,942,456	33,058,145	1,095,172,868	964,379,516	9,387,667	22,987,301	2,988,784	2,664,129	83,276,720	92,358,041	1,231,768,495	1,115,447,132						

For the year ended 31st December	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000	2022	2021	Rs 000
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities	10,837,142	(6,832,893)	10,852,519	29,597,453	(498,247)	379,405	213,342	617,288	(2,216,035)	(5,622)	19,188,721	23,755,631						
Cash flows from investing activities	-	-	-	-	52,556,933	(24,778,336)	(493,569)	(445,638)	(4,623,632)	(1,655,519)	47,439,732	(26,879,493)						
Cash flows from financing activities	-	-	(1,850,582)	(141,317)	-	-	(36,130)	20,244	(8,535,268)	(3,779,693)	(10,421,980)	(3,900,766)						
Capital expenditure	-	-	(657,979)	(711,109)	-	-	(542,402)	(1,983,288)	(1,202,028)	822,837	(2,402,409)	(1,871,560)						

49 EVENTS AFTER THE REPORTING PERIOD**ACCOUNTING POLICY**

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

49.1 Proposed Dividend

The Board of Directors has recommended a final dividend of Rs 4.60 per share (Rs 3.45 per share in cash and Rs 1.15 per share in scrip) for the financial year ended 31st December 2022 subject to the approval of the shareholders at the Annual General Meeting to be held on 30th March 2023. The Bank will inform the Director Bank Supervision of Central Bank of Sri Lanka, the Board approved detailed assessment carried out in deciding the payment of cash dividend for the year 2022.

In accordance with Sri Lanka Accounting Standard - LKAS 10 (Events after the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31st December 2022. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Bank has satisfied the 'solvency test' in accordance with Section 57 of the Companies Act No. 07 of 2007.

49.2 Debenture Issue 2023/2028

The Bank offered to issue 50 Mn Basel III compliant - Tier 2, listed, rated, unsecured, subordinated redeemable 5 year debentures (2023/28) with a non-viability conversion, of the par value of Rs 100/- each to raise a sum of up to Rs 5 Bn, with an option to issue up to a further 20 Mn of said debentures to increase the said sum by up to a further Rs 2 Bn at the discretion of the Bank in the event of an oversubscription of the initial issue and with a further option to issue up to a further 30 Mn of said debentures to increase the said sum by up to a further Rs 3 Bn, at the discretion of the Bank in the event of an oversubscription of the initial issue and the second tranche. The above debenture issue was successfully oversubscribed on the first day itself.

The Bank raised Rs 10 Bn worth of Basel III compliant - Tier 2 funds from the above issue on 9th February 2023.

49.3 Revision of National Long Term Rating by Fitch Ratings

Fitch Ratings Lanka Limited has revised their ratings of 10 Sri Lankan banks including Sampath Bank on 12th January 2023 following the recent sovereign downgrade and recalibration of Agency's Sri Lankan national rating scale.

Accordingly, Sampath Bank's National Long Term rating has been revised down to 'A (lka)/RWN' from 'AA-(lka)/RWN'. Further, Fitch has assigned 'BBB+(lka)' rating for Bank's Basel III compliant subordinated debentures.

50 FAIR VALUE OF ASSETS & LIABILITIES**50.1 Assets & Liabilities Recorded at Fair Value**

The following is a description of how fair values are determined for assets and liabilities that are recorded at fair value. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing assets and liabilities.

Derivatives - Assets & Liabilities

Derivative products which consist of SWAPS, forward foreign exchange contracts and hedges are valued using a valuation technique with market-observable inputs. The most frequently applied valuation techniques include forward foreign exchange spot and forward premiums.

Financial Assets - Fair Value through Other Comprehensive Income (FVOCI)

FVOCI financial assets primarily consist of quoted/unquoted equity securities and government securities. Government securities are valued using the yield curve published by the Central Bank of Sri Lanka. Quoted equity securities are valued using quoted market prices in the active markets as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

50 FAIR VALUE OF ASSETS & LIABILITIES CONTD.

Trading Assets Measured at Fair Value

Trading assets and other assets measured at fair value are the government securities and quoted equity securities. Government securities are valued using yield curve published by the Central Bank of Sri Lanka. For quoted equity securities, the Bank uses quoted market prices in the active market as at the reporting date.

Property, Plant & Equipment

Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

50.2 Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value of freehold land and buildings was determined by using Market Comparable Method or Income Basis. These valuations performed by the valuers are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. Management determined that freehold land and buildings constitute one class of asset under Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement), based on the nature, characteristics and risks of the property.

Fair values are determined according to the following hierarchy:

Level 1 – Quoted market price (unadjusted): quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuation technique using observable inputs: quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in inactive markets and are valued using models where all significant inputs are observable.

Level 3 – Valuation technique with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

50.3 Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include:

- A review and approval process involving the Board Audit Committee for significant judgment and assumptions, new models, changes to existing judgments, assumptions and models.
- Periodic (at least quarterly) reviewing of fair value measurements against observable market data.
- Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgments and assumptions.
- Use of sophisticated software for fair value measurements of trading and investment securities and derivatives.
- Independent analysis and investigation of significant daily valuation movements in trading and investment securities and derivatives.
- A dual verification process for market data inputs to the fair value measurement software.

50.4 Assets & Liabilities Measured at Fair Value - Fair Value Hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the Statement of Financial Position.

50.4.1 Assets & Liabilities Measured at Fair Value - Fair Value Hierarchy Bank

As at 31st December	Date of Valuation	2022				2021			
		Fair Value Measurement Using			Total	Fair Value Measurement Using			Total
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets measured at fair value									
Derivative financial instruments	31st December	-	30,439	-	30,439	-	947,959	-	947,959
Currency SWAPs		-	14,159	-	14,159	-	451,160	-	451,160
Forward exchange contracts		-	44,598	-	44,598	-	1,399,119	-	1,399,119
Sub Total									
Financial assets- fair value through profit or loss									
Government securities - Treasury bills & bonds	31st December	4,641,277	-	-	4,641,277	3,858,578	-	-	3,858,578
Quoted equity securities		-	-	-	-	49,126	-	-	49,126
Sub Total		4,641,277	-	-	4,641,277	3,907,704	-	-	3,907,704
Financial assets - fair value through other comprehensive income									
Government securities	31st December	-	-	-	-	-	-	-	-
Treasury bills & bonds		27,369,187	-	-	27,369,187	37,686,538	-	-	37,686,538
Sri Lanka Development Bonds		-	-	-	-	-	290,184	-	290,184
Sri Lanka International Sovereign Bonds		-	671,756	-	671,756	516,511	-	-	516,511
Equity Securities		-	-	-	-	-	-	-	-
Quoted equity securities		4,671,146	-	-	4,671,146	4,451,151	-	-	4,451,151
Unquoted equity securities		-	-	60,841	60,841	-	30,517	29,244	59,761
Sub Total		32,040,333	671,756	60,841	32,772,930	42,654,200	320,701	29,244	43,004,145
Total financial assets measured at fair value		36,681,610	716,354	60,841	37,458,805	46,561,904	1,719,820	29,244	48,310,968
Non-financial assets measured at fair value									
Freehold land & buildings (included under property, plant & equipment)	31st December	-	-	6,792,986	6,792,986	-	-	5,811,922	5,811,922
Total non - financial assets measured at fair value		-	-	6,792,986	6,792,986	-	-	5,811,922	5,811,922
Financial liabilities measured at fair value									
Derivative financial instruments	31st December	-	1,435,157	-	1,435,157	-	604,362	-	604,362
Currency SWAPs		-	14,236	-	14,236	-	3,561	-	3,561
Forward exchange contracts		-	1,449,393	-	1,449,393	-	607,923	-	607,923
Total financial liabilities measured at fair value		-	1,449,393	-	1,449,393	-	607,923	-	607,923

Investment in Sri Lanka International Sovereign Bonds which was previously classified under Level 1, moved to Level 2 as at 31st December 2022 since the market is not active as at the reporting date.

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50.4.2 Assets & Liabilities Measured at Fair Value - Fair Value Hierarchy Group

As at 31st December	Date of Valuation	2022				2021			
		Fair Value Measurement Using				Fair Value Measurement Using			
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets measured at fair value									
Derivative financial instruments	31st December								
Currency SWAPs		-	30,439	-	30,439	-	947,959	-	947,959
Forward exchange contracts		-	14,159	-	14,159	-	451,160	-	451,160
Sub Total		-	44,598	-	44,598	-	1,399,119	-	1,399,119
Financial assets - fair value through profit or loss									
Government securities - Treasury bills & bonds	31st December	4,641,277	-	-	4,641,277	3,858,578	-	-	3,858,578
Quoted equity securities		181,118	-	-	181,118	49,126	-	-	49,126
Sub Total		4,822,395	-	-	4,822,395	3,907,704	-	-	3,907,704
Financial assets - fair value through other comprehensive income									
Government securities	31st December								
Treasury bills & bonds		27,369,187	-	-	27,369,187	37,686,538	-	-	37,686,538
Sri Lanka Development Bonds		-	-	-	-	-	290,184	-	290,184
Sri Lanka International Sovereign Bonds		-	671,756	-	671,756	516,511	-	-	516,511
Equity Securities									
Quoted equity securities		4,671,146	-	-	4,671,146	4,451,151	-	-	4,451,151
Unquoted equity securities		-	-	60,897	60,897	-	30,517	29,300	59,817
Sub Total		32,040,333	671,756	60,897	32,772,986	42,654,200	320,701	29,300	43,004,201
Total financial assets measured at fair value		36,862,728	716,354	60,897	37,639,979	46,561,904	1,719,820	29,300	48,311,024
Non-financial assets measured at fair value									
Freehold land & buildings (included under property, plant & equipment)	31st December								
Total non - financial assets measured at fair value		-	-	14,766,601	14,766,601	-	-	11,536,903	11,536,903
Financial liabilities measured at fair value									
Derivative financial instruments	31st December								
Currency SWAPs		-	1,435,157	-	1,435,157	-	604,362	-	604,362
Forward exchange contracts		-	14,236	-	14,236	-	3,561	-	3,561
Total financial liabilities measured at fair value		-	1,449,393	-	1,449,393	-	607,923	-	607,923

Investment in Sri Lanka International Sovereign Bonds which was previously classified under Level 1, was moved to Level 2 as at 31st December 2022 since the market is not active as at the reporting date.

50.5 Level 3 Fair Value Measurement

50.5.1 Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances of fair value measurements in Level 3 of the fair value hierarchy.

	Bank		Group	
	Assets Measured at Level 3		Assets Measured at Level 3	
	Unquoted Equity Securities Rs 000	Freehold Land and Buildings Rs 000	Unquoted Equity Securities Rs 000	Freehold Land and Buildings Rs 000
Balance as at 1st January 2021	34,349	5,840,964	34,405	10,311,483
Additions	-	17,321	-	17,321
Gains/losses recognised in other comprehensive income				
Gain from mark to market valuation (Note 27.6)	38,580	-	38,580	-
Sale of equity shares in SWIFT	(13,268)	-	(13,268)	-
Exchange rate differences	100	-	100	-
Gain/(loss) recognised in profit or loss:				
Depreciation of buildings	-	(46,363)	-	(164,486)
Transfer from capital work in progress	-	-	-	1,372,585
Transfer to level 2	(30,517)	-	(30,517)	-
Balance as at 31st December 2021	29,244	5,811,922	29,300	11,536,903
Additions	-	49,062	-	53,143
Revaluation surplus		978,718		1,855,410
Gains/losses recognised in other comprehensive income				
Exchange rate differences	1,080	-	1,080	-
Gain/(loss) recognised in profit or loss:				
Depreciation of buildings	-	(46,716)	-	(151,892)
Transfer from capital work in progress	-	-	-	1,473,037
Transfer from level 2	30,517	-	30,517	-
Balance as at 31st December 2022	60,841	6,792,986	60,897	14,766,601

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50.5.2 Unobservable Inputs Used In Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy.

Type of Asset	Assets Measured at Level 3					
	Bank Fair Value as at 31st December 2022 Rs 000	Group Fair Value as at 31st December 2022 Rs 000	Valuation Technique	Significant Unobservable Inputs	Weighted Average Range of Estimates for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Property, plant & equipment						
- Freehold lands	5,076,153	8,342,253	Market comparable method	Estimated price per perch	Rs 87,500 - 18,500,000	*
- Freehold buildings	1,716,833	6,424,348	Income basis	Estimated price per sq.ft	Rs 3,541 - 22,824	*
			Income basis	Estimated rental value per sq.ft		
				Bank	Rs 18 - 275	
				Subsidiary	Rs 250 - 375	
				Expected market rental growth		
				Bank	0% - 5%	*
				Subsidiary	0% - 6%	*
				Discount rate		
				Bank	7.0%	**
				Subsidiary	6.0%	**

* Significant increases/(decreases) in any of these inputs in isolation would result in a significantly higher/(lower) fair value.

** Significant increases/(decreases) in this input in isolation would result in a significantly (lower)/higher fair value.

50.6 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets of which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For variable rate instruments with a fixed credit spread, an adjustment is made to reflect the change in credit spread since the instrument was first recognised.

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is a comparison of the carrying amounts and fair values of the Bank's financial instruments by classes that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

As at 31st December 2022

	Bank					Group				
	Fair Value			Carrying Value		Fair Value			Carrying Value	
	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000		Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000	
Financial Assets										
Financial assets at amortised cost										
- loans & advances	-	791,005,705	-	791,005,705	811,157,649	-	819,121,483	-	819,121,483	839,976,738
- debt & other instruments	164,475,802	58,100,341	-	222,576,143	278,775,796	169,937,668	58,100,341	-	228,038,009	284,237,662
	164,475,802	849,106,046	-	1,013,581,848	1,089,933,445	169,937,668	877,221,824	-	1,047,159,492	1,124,214,400
Financial Liabilities										
Financial liabilities at amortised cost										
- due to banks	-	11,297,181	-	11,297,181	11,297,181	-	15,174,226	-	15,174,226	15,255,184
- due to depositors - fixed & certificate of deposits	-	735,091,094	-	735,091,094	733,903,165	-	754,033,695	-	754,033,695	753,054,881
- due to debt securities holders	-	20,292,758	-	20,292,758	25,259,536	-	27,121,650	-	27,121,650	32,872,261
	-	766,681,033	-	766,681,033	770,459,882	-	796,329,571	-	796,329,571	801,182,326

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

Assets	Liabilities
Cash & cash equivalents	Securities sold under repurchase agreements
Balances with Central Bank of Sri Lanka	Savings, demand, call & margin deposits
Placements with banks	Due to other borrowers
Reverse repurchase agreements	Dividend payable
Other financial assets	Other financial liabilities

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As at 31st December 2021

	Bank					Group				
	Fair Value				Carrying Value	Fair Value				Carrying Value
	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000	Rs 000	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000	Rs 000
Financial Assets										
Financial assets at amortised cost										
- loans & advances	-	762671,754	-	762671,754	762,588,294	-	801,145,883	-	801,145,883	795,804,353
- debt & other instruments	208,413,173	69,663,437	-	278,076,610	293,766,967	209,313,415	69,663,437	-	278,976,852	294,667,208
	208,413,173	832,335,191	-	1,040,748,364	1,056,355,261	209,313,415	870,809,320	-	1,080,122,735	1,090,471,561
Financial Liabilities										
Financial liabilities at amortised cost										
- due to banks	-	23,653,247	-	23,653,247	23,653,247	-	31,549,854	-	31,549,854	31,532,293
- due to depositors - fixed & certificate of deposits	-	525,516,892	-	525,516,892	523,906,488	-	543,001,881	-	543,001,881	540,874,069
- due to debt securities holders	-	299,309,988	-	299,309,988	31,006,592	-	36,216,464	-	36,216,464	37,274,207
	-	579,101,127	-	579,101,127	578,566,327	-	610,768,199	-	610,768,199	609,680,569

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

Assets	Liabilities
Cash & cash equivalents	Securities sold under repurchase agreements
Balances with Central Bank of Sri Lanka	Savings, demand, call & margin deposits
Placements with banks	Due to other borrowers
Reverse repurchase agreements	Dividend payable
Other financial assets	Other financial liabilities

51 RISK MANAGEMENT**51.1 Introduction**

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuous profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is mainly exposed to Credit Risk, Liquidity Risk, Market Risk and Operational Risk which has been disclosed in this note as summarised below.

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Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC) which is responsible for developing and monitoring Bank's risk management policies. The Committee comprises of Executive and Non - Executive Directors. Meetings of BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

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51 RISK MANAGEMENT CONTD.

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 adherence to established limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Integrated Risk Management Unit

The business units (i.e. Credit Departments, Branches, Regional Offices, Treasury etc.) have primary responsibility for Risk Management. The Integrated Risk Management Unit, which has no responsibility for profit or volume targets, acts as the 2nd line of defense and reports to the Chief Risk Officer (CRO) who in turn directly reports to the BIRMC.

Asset/Liability Management Committee (ALCO)

ALCO is chaired by the Managing Director and has representatives from Treasury Department, Credit Departments, Marketing Department, Finance Department, Strategic Planning Department and Deposit Mobilisation Department. The Executive Director/ Chief Financial Officer, Chief Strategy Officer and the Chief Risk Officer are also members of the ALCO. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

Risk Measurement and Reporting

The Bank's risks are measured using appropriate techniques based on the type of risk and industry best practices. The Bank also carries out stress testing to identify the effect of extreme events/worst case scenarios for major types of risks and the results are reported to Board Integrated Risk Management Committee (BIRMC) on a periodic basis. Monitoring and controlling risks are primarily performed based on policies, limits and thresholds established by the Bank. These limits reflect the business strategy, market environment within which the Bank operates and also the level of risk that the Bank is willing to accept (Risk Appetite).

Risk Mitigation

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc. are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

51.2 Credit Risk

Credit risk is the risk of financial loss to the Bank, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances and investments in debt securities. In addition to the credit risk from direct funding exposures, the Bank would also be exposed to indirect liabilities such as letters of credit, guarantees etc, which would carry credit risk.

The Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management.

51.2.1 Assessment of Expected Credit Losses

51.2.1(a) Analysis of the total impairment for expected credit losses

Bank

As at 31st December	Note	2022				2021
		Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Cash & cash equivalents	20.2	101,287	-	-	101,287	98,181
Placements with banks	22.2	2,555	-	-	2,555	393
Financial assets at amortised cost						
- loans & advances	25.2	9,917,653	44,751,656	54,294,693	108,964,002	50,518,133
- debt & other instruments	26.3	61,524	18,328,188	275,981	18,665,693	5,970,151
Credit related commitments & contingencies	45.2	2,128,073	975,413	15,578	3,119,064	2,259,974
Total allowance for expected credit losses		12,211,092	64,055,257	54,586,252	130,852,601	58,846,832

Group

As at 31st December	Note	2022				2021
		Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Cash & cash equivalents	20.2	101,327	-	-	101,327	98,201
Placements with banks	22.2	2,555	-	-	2,555	393
Financial assets at amortised cost						
- loans & advances	25.2	9,934,498	45,651,154	57,527,839	113,113,491	54,765,300
- debt & other instruments	26.3	61,524	18,328,188	275,981	18,665,693	5,970,151
Credit related commitments & contingencies	45.2	2,122,309	975,413	15,578	3,113,300	2,224,118
Total allowance for expected credit losses		12,222,213	64,954,755	57,819,398	134,996,366	63,058,163

51.2.1(b) Movement of the total allowance for expected credit losses during the period

	Note	Bank		Group	
		2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Balance as at 1st January		58,846,832	42,714,127	63,058,163	45,630,053
Net charge for the year		62,168,583	17,050,441	62,296,270	18,504,184
Write-off during the year	25.2	(1,618,428)	(350,619)	(1,813,890)	(497,652)
Interest income accrued on impaired loans & advances	7.1	(6,278,942)	(3,009,971)	(6,281,486)	(3,027,412)
Other movements		17,734,556	2,442,854	17,737,309	2,448,990
Balance as at 31st December		130,852,601	58,846,832	134,996,366	63,058,163

The methodology used in the determination of expected credit losses is explained in Note 3.4.6 to the financial statements.

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51 RISK MANAGEMENT CONTD.

51.2.1(c) Sensitivity of factors used to determine impairment provisions

Management judgement is involved in the determination of impairment allowance for loans and advances. Key variables such as PD, LGD, EFA, property foreclosure period for individually significant loans, deemed loss period are affected by management judgment and changes in any such variables can result in different levels of impairment allowance. The following tables demonstrate the sensitivity of the impairment allowance of the Bank to the changes in the above variables, as at 31st December 2022 and 31st December 2021.

As at 31st December 2022

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Statement of Profit or Loss [Increase/ (Decrease) in operating profit before tax] Rs 000
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Probability of Default (PD)					
Increase existing PD by 1% across all age buckets	3,083,164	1,388,975	-	4,472,139	(4,472,139)
Decrease existing PD by 1% across all age buckets*	(2,720,124)	(1,382,097)	-	(4,102,221)	4,102,221
Loss Given Default (LGD)					
5% increase	684,728	1,485,870	1,832,580	4,003,178	(4,003,178)
5% decrease*	(684,728)	(1,485,870)	(1,832,580)	(4,003,178)	4,003,178
Economic Factor Adjustment (EFA)					
worst case 5% increase, with a decrease of 2.5% each in best & base cases	84,835	168,862	-	253,697	(253,697)
worst case 5% decrease, with an increase of 2.5% each in best & base cases	(84,835)	(168,862)	-	(253,697)	253,697
Property foreclosure period for individually significant impaired customers					
Increase by one year	-	-	3,002,071	3,002,071	(3,002,071)
Decrease by one year**	-	-	(3,543,495)	(3,543,495)	3,543,495
Deemed Loss Period					
Increase by 1 year	(756,375)	(1,360,116)	(1,636,917)	(3,753,408)	3,753,408
Decrease by 1 year**	660,548	1,909,388	2,315,950	4,885,886	(4,885,886)

(*) The PD/LGD decrease is limited to 0%, if applicable.

(**) Foreclosure period/deemed loss period is capped at one year, if applicable.

As at 31st December 2021

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Statement of Profit or Loss [Increase/ (Decrease) in operating profit before tax] Rs 000
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Probability of Default (PD)					
Increase existing PD by 1% across all age buckets	2,255,143	1,012,908	-	3,268,051	(3,268,051)
Decrease existing PD by 1% across all age buckets*	(1,635,998)	(989,973)	-	(2,625,971)	2,625,971
Loss Given Default (LGD)					
5% increase	441,794	1,013,468	1,225,960	2,681,222	(2,681,222)
5% decrease*	(441,794)	(1,013,468)	(1,225,960)	(2,681,222)	2,681,222
Economic Factor Adjustment (EFA)					
worst case 5% increase, with a decrease of 2.5% each in best & base cases	35,028	84,740	-	119,768	(119,768)
worst case 5% decrease, with an increase of 2.5% each in best & base cases	(35,028)	(84,740)	-	(119,768)	119,768
Property foreclosure period for individually significant impaired customers					
Increase by one year	-	-	1,985,909	1,985,909	(1,985,909)
Decrease by one year**	-	-	(1,510,202)	(1,510,202)	1,510,202
Deemed Loss Period					
Increase by 1 year	(107,232)	(989,280)	(1,148,385)	(2,244,897)	2,244,897
Decrease by 1 year**	587,847	1,506,502	1,751,073	3,845,422	(3,845,422)

(*) The PD/LGD decrease is limited to 0%, if applicable.

(**) Foreclosure period/deemed loss period is capped at one year, if applicable.

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51.2.1(d) Sensitivity Analysis: Impact of staging of loans and advances on collective impairment

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Bank/Group as at 31st December 2022 would have reduced by approximately 9% (2021 - 23%). The total loans and advances in stage 2 as at 31st December 2022 amounts to Rs 306 Bn & Rs 322 Bn for the Bank & the Group respectively.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Bank/Group as at 31st December 2022 would have further increased by approximately 18% (2021 - 27%). The total loans and advances in stage 1 as at 31st December 2022 amounts to Rs 513 Bn & Rs 520 Bn for the Bank & the Group respectively. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

The increase/decrease in impairment has been calculated excluding the allowance for overlay recognised as at the reporting date.

51.2.1(e) Breakdown of loans classified under stage 2

Loans classified under stage 2 includes contractually past due loans and loans which have been shifted to stage 2 based on the criteria specified in the Note 3.4.6.1(b).

Bank

As at 31st December	2022				2021
	Not Contractually Past Due 0 - 30 Days Rs 000	Contractually Past Due		Total Rs 000	Total Rs 000
		31 - 60 Days Rs 000	61 - 90 Days Rs 000		
Term loans	129,855,696	38,522,784	35,624,833	204,003,313	173,974,726
Overdraft	23,721,183	4,149,683	412,864	28,283,730	21,915,160
Import loans	24,559,936	2,750,331	2,255,310	29,565,577	17,190,127
Others	21,282,491	14,060,183	8,661,501	44,004,175	39,958,857
	199,419,306	59,482,981	46,954,508	305,856,795	253,038,870

Group

As at 31st December	2022				2021
	Not Contractually Past Due 0 - 30 Days Rs 000	Contractually Past Due		Total Rs 000	Total Rs 000
		31 - 60 Days Rs 000	61 - 90 Days Rs 000		
Term loans	129,981,493	40,056,561	36,196,336	206,234,390	175,889,668
Overdraft	23,721,183	4,149,683	412,864	28,283,730	21,915,160
Import loans	24,559,936	2,750,331	2,255,310	29,565,577	17,190,127
Others	29,370,796	17,541,390	11,153,994	58,066,180	54,255,427
	207,633,408	64,497,965	50,018,504	322,149,877	269,250,382

51.2.1(f) Overview of rescheduled & restructured loans

An analysis of rescheduled & restructured loans and advances of the Bank/Group which are in stage 2 and stage 3 is given below along with the impairment for ECL. This does not include individually significant impaired loans and advances for which ECLs have been derived by discounting future recovery cash flows of such loans.

As at 31st December 2022

	Amortised Cost			Impairment for ECL			Net Carrying Value
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Bank	79,766,655	19,697,052	99,463,707	9,864,929	9,689,727	19,554,656	79,909,051
Group	80,348,798	20,457,659	100,806,457	9,890,261	9,978,570	19,868,831	80,937,626

As at 31st December 2021

	Amortised Cost			Impairment for ECL			Net Carrying Value
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Bank	67,248,643	14,316,482	81,565,125	4,396,887	5,179,407	9,576,294	71,988,831
Group	67,706,675	15,211,559	82,918,234	4,414,368	5,522,394	9,936,762	72,981,472

51.2.1(g) Overview of rescheduled/restructured loans & advances upgraded during the year

The Bank upgrades rescheduled/restructured loans from stage 3/stage 2 to stage 1 as per the upgrading policy described in Note 3.4.6.11 of the Financial Statements. During the year the Bank upgraded Rs 5.9 Bn (2021: Rs 15.9 Bn) worth of rescheduled/restructured loans to stage 1. Due to this upgrade, the impairment provision against these loans decreased by Rs 118 Mn from Rs 373 Mn as at 31st December 2021 to Rs 255 Mn as at 31st December 2022.

51.2.2 Risks on Credit-related Commitments

The Bank makes available to its customers, guarantees that may require the Bank to make payments on behalf of customers and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees are commitments to make payments on behalf of customers in the event of a specific act. Such commitments expose the Bank to risks similar to loans and are mitigated by the same control processes and policies.

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51.2.3 Collateral and Other Credit Enhancements

51.2.3(a) Net exposure to credit risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

For commercial lending: charges over real estate properties, cash, inventory and trade receivables, shares etc.

For retail lending: mortgages over residential properties, motor vehicles, gold etc.

The Bank also obtains guarantees from parent companies as securities against loans granted to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Bank's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

There was no change in the Group's collateral policy during the year. Further, the Group did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Group does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Group. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds. Except for the above, Group has recognised ECL for all other financial assets classified at amortised cost and debt instruments at FVOCI.

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

Bank

As at 31st December	Note	2022		2021	
		Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
		Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash & cash equivalents	20	79,263,832	57,496,109	22,981,180	2,980,009
Placements with banks	22	10,929,771	10,929,771	2,739,907	2,739,907
Reverse repurchase agreements		10,072,569	-	2,752,011	-
Derivative financial instruments	23	44,598	44,598	1,399,119	1,399,119
Financial assets recognised through profit or loss - measured at fair value	24	4,641,277	4,641,277	3,907,704	3,907,704
Financial assets at amortised cost					
- loans & advances	25	920,121,651	345,476,147	813,106,427	298,739,345
- debt & other instruments	26	297,441,489	295,113,234	299,737,118	296,815,676
Financial assets - fair value through other comprehensive income	27	32,772,930	32,772,930	43,004,145	43,004,145
Other assets		21,174,017	21,174,017	10,645,606	10,645,606
		1,376,462,134	767,648,083	1,200,273,217	660,231,511
Credit related commitment & contingencies		302,539,865	299,801,239	343,786,847	330,796,025

Group

As at 31st December	Note	2022		2021	
		Maximum Exposure to Credit Risk Rs 000	Net Exposure Rs 000	Maximum Exposure to Credit Risk Rs 000	Net Exposure Rs 000
Financial Assets					
Cash & cash equivalents	20	79,445,914	57,526,776	23,125,789	2,989,929
Placements with banks	22	10,929,771	10,929,771	2,739,907	2,739,907
Reverse repurchase agreements		10,299,569	-	4,861,922	-
Derivative financial instruments	23	44,598	44,598	1,399,119	1,399,119
Financial assets recognised through profit or loss - measured at fair value	24	4,822,395	4,822,395	3,907,704	3,907,704
Financial assets at amortised cost					
- loans & advances	25	953,090,229	343,268,545	850,569,653	298,459,511
- debt & other instruments	26	302,903,355	300,575,100	300,637,359	297,715,917
Financial assets - fair value through other comprehensive income	27	32,772,986	32,772,986	43,004,201	43,004,201
Other assets		22,481,685	22,481,685	11,587,129	11,587,129
		1,416,790,502	772,421,856	1,241,832,783	661,803,417
Credit related commitment & contingencies		301,392,746	298,654,120	340,497,141	327,506,320

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51.2.3(b) Stage-wise analysis of collateral held against loans & 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.

As at 31st December	Bank				Group			
	Mix	2022	Mix	2021	Mix	2022	Mix	2021
	%	Amortised Cost Rs 000	%	Amortised Cost Rs 000	%	Amortised Cost Rs 000	%	Amortised Cost Rs 000
Stage 1								
Cash & cash equivalents	8	40,756,846	7	36,886,021	8	41,158,570	7	37,299,729
Treasury guarantee	3	14,804,676	3	15,672,392	3	14,804,676	3	15,672,392
Gold	13	66,631,470	9	43,782,534	13	66,631,470	9	43,782,534
Motor vehicle	4	18,545,911	5	25,752,393	5	25,823,423	7	35,930,358
Immovable property	23	118,418,944	28	142,534,212	23	118,418,944	28	142,537,236
Other securities*	40	206,401,461	38	186,488,590	39	205,197,935	36	186,126,705
Unsecured	9	47,859,199	10	52,840,551	9	47,859,199	10	52,840,551
	100	513,418,507	100	503,956,693	100	519,894,217	100	514,189,505
Stage 2								
Cash & cash equivalents	3	10,030,620	3	6,459,534	3	10,079,362	2	6,486,978
Gold	-	18,791	-	1,398	-	18,791	-	1,398
Motor vehicle	3	9,385,847	3	8,693,037	7	23,326,151	9	22,908,884
Immovable property	57	173,111,085	57	144,152,229	54	173,121,136	53	144,170,064
Other securities*	27	83,341,438	23	58,876,829	27	85,635,423	23	60,827,215
Unsecured	10	29,969,014	14	34,855,843	9	29,969,014	13	34,855,843
	100	305,856,795	100	253,038,870	100	322,149,877	100	269,250,382
Stage 3								
Cash & cash equivalents	-	173,244	1	498,964	-	195,723	1	538,625
Gold	1	1,270,186	-	274,152	1	1,270,186	-	274,152
Motor vehicle	2	2,316,689	2	1,174,859	8	8,525,435	13	8,450,976
Immovable property	59	58,535,622	64	36,010,691	53	59,117,712	55	36,664,644
Other securities*	26	26,328,249	20	11,134,164	27	29,714,720	21	14,183,335
Unsecured	12	12,222,359	13	7,018,034	11	12,222,359	10	7,018,034
	100	100,846,349	100	56,110,864	100	111,046,135	100	67,129,766

*Other securities include quoted & unquoted shares, lease receivable, inventories, trade receivable, personnel guarantees and corporate guarantees etc.

51.2.3(c) Offsetting financial assets & liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

51.2.3(d) Financial assets & liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase arrangements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below:

Bank

As at 31st December	2022			2021		
	Gross Amount	Amount Subject to Netting but do not Qualify for Offsetting	Net Amount	Gross Amount	Amount Subject to Netting but do not Qualify for Offsetting	Net Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets						
Loans & advances	61,473,331	50,960,710	10,512,621	53,163,756	43,844,519	9,319,237
Financial Liabilities						
Securities sold under repurchase agreements	2,283,291	2,283,291	-	4,157,662	4,157,662	-

Group

As at 31st December	2022			2021		
	Gross Amount	Amount Subject to Netting but do not Qualify for Offsetting	Net Amount	Gross Amount	Amount Subject to Netting but do not Qualify for Offsetting	Net Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets						
Loans & advances	62,008,191	51,433,655	10,574,536	53,746,782	44,325,332	9,421,450
Financial Liabilities						
Securities sold under repurchase agreements	2,283,291	2,283,291	-	4,157,662	4,157,662	-

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51.2.4 Stage-wise movement of loans & advances and commitments & contingencies

51.2.4(a) Stage-wise movement of gross carrying values of loans and advance

Changes in the gross carrying amount of loans and advances during the period that contributed to the changes in impairment provisions is given below:

Bank

	Stage 1 Subject to 12-month ECL Rs 000	Stage 2 Subject to Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Subject to Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	533,294,217	165,663,708	59,984,365	758,942,290
Current stage of new financial assets originated	207,179,365	78,540,067	-	285,719,432
Changes in the gross carrying amount				
- Transfer to stage 1	20,131,596	(25,462,543)	(490,315)	(5,821,262)
- Transfer to stage 2	(90,462,991)	79,794,470	(3,439,872)	(14,108,393)
- Transfer to stage 3	(1,018,743)	(3,627,699)	3,983,403	(663,039)
Financial assets that have been derecognised	(165,166,751)	(56,155,811)	(7,731,146)	(229,053,708)
Write-off during the year	-	-	(350,619)	(350,619)
Changes to contractual cash flows due to modifications	-	14,286,678	4,155,048	18,441,726
Balance as at 31st December 2021	503,956,693	253,038,870	56,110,864	813,106,427
Balance as at 1st January 2022	503,956,693	253,038,870	56,110,864	813,106,427
Current stage of new financial assets originated	204,346,028	72,280,307	-	276,626,335
Changes in the gross carrying amount				
- Transfer to stage 1	22,915,510	(25,567,269)	(424,115)	(3,075,874)
- Transfer to stage 2	(61,777,695)	57,417,247	(1,691,439)	(6,051,887)
- Transfer to stage 3	(6,645,351)	(25,891,405)	36,479,100	3,942,344
Financial assets that have been derecognised	(149,376,678)	(88,855,027)	(2,837,527)	(241,069,232)
Write-off during the year	-	-	(1,618,428)	(1,618,428)
Changes to contractual cash flows due to modifications	-	63,434,072	14,827,894	78,261,966
Balance as at 31st December 2022	513,418,507	305,856,795	100,846,349	920,121,651

Group

	Stage 1 Subject to 12-month ECL Rs 000	Stage 2 Subject to Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Subject to Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	544,454,372	178,402,956	71,222,291	794,079,619
Current stage of new financial assets originated	217,171,054	88,741,333	-	305,912,387
Changes in the gross carrying amount				
- Transfer to stage 1	20,800,155	(26,115,800)	(505,617)	(5,821,262)
- Transfer to stage 2	(92,944,059)	82,747,222	(3,911,556)	(14,108,393)
- Transfer to stage 3	(1,869,023)	(6,055,611)	10,405,483	2,480,849
Financial assets that have been derecognised	(173,422,994)	(62,810,591)	(13,759,828)	(249,993,413)
Write-off during the year	-	-	(497,652)	(497,652)
Changes to contractual cash flows due to modifications	-	14,340,873	4,176,645	18,517,518
Balance as at 31st December 2021	514,189,505	269,250,382	67,129,766	850,569,653
Balance as at 1st January 2022	514,189,505	269,250,382	67,129,766	850,569,653
Current stage of new financial assets originated	209,781,581	79,470,648	-	289,252,229
Changes in the gross carrying amount				
- Transfer to stage 1	25,198,817	(27,122,680)	(1,152,011)	(3,075,874)
- Transfer to stage 2	(65,838,617)	63,553,147	(3,766,417)	(6,051,887)
- Transfer to stage 3	(8,097,565)	(29,825,456)	45,019,848	7,096,827
Financial assets that have been derecognised	(155,339,504)	(96,610,236)	(9,198,625)	(261,148,365)
Write-offs during the year	-	-	(1,813,890)	(1,813,890)
Changes to contractual cash flows due to modifications	-	63,434,072	14,827,464	78,261,536
Balance as at 31st December 2022	519,894,217	322,149,877	111,046,135	953,090,229

51.2.4(b) Stage-wise movement of Impairment for loans and advances

More information about the significant changes in the impairment for loans and advances during the period is provided in the tables below:

Bank

	Stage 1 12-month ECL Rs 000	Stage 2 Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	3,679,288	10,707,506	24,340,249	38,727,043
Net impairment charge for the year due to:				
New financial assets originated	1,742,537	5,773,900	-	7,516,437
Changes in the gross carrying amount				
- Transfer to stage 1	332,655	(933,403)	(226,091)	(826,839)
- Transfer to stage 2	(788,258)	5,625,083	(988,019)	3,848,806
- Transfer to stage 3	(7,486)	(970,416)	1,636,193	658,291
Net remeasurement of impairment	572,093	1,010,729	2,498,051	4,080,873
Financial assets that have been derecognised	(987,284)	(1,929,919)	(2,517,195)	(5,434,398)
Changes to contractual cash flows due to modifications	-	1,187,795	1,677,861	2,865,656
Write-off during the year	-	-	(350,619)	(350,619)
Interest accrued on impaired loans & advances	-	-	(3,009,971)	(3,009,971)
Other movements	-	-	2,442,854	2,442,854
Balance as at 31st December 2021	4,543,545	20,471,275	25,503,313	50,518,133
Balance as at 1st January 2022	4,543,545	20,471,275	25,503,313	50,518,133
Net impairment charge for the year due to:				
New financial assets originated	2,875,392	8,698,364	-	11,573,756
Changes in the gross carrying amount				
- Transfer to stage 1	910,530	(1,082,226)	(151,292)	(322,988)
- Transfer to stage 2	(794,343)	5,072,782	(659,702)	3,618,737
- Transfer to stage 3	(185,133)	(3,954,849)	19,133,883	14,993,901
Net remeasurement of impairment	3,707,286	7,839,694	5,320,563	16,867,543
Financial assets that have been derecognised	(1,415,689)	(6,502,473)	(455,809)	(8,373,971)
Changes to contractual cash flows due to modifications	-	10,482,900	5,504,012	15,986,912
Write-off during the year	-	-	(1,618,428)	(1,618,428)
Interest accrued on impaired loans & advances	-	-	(6,278,942)	(6,278,942)
Other movements	276,065	3,726,189	7,997,095	11,999,349
Balance as at 31st December 2022	9,917,653	44,751,656	54,294,693	108,964,002

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	Stage 1 12-month ECL Rs 000	Stage 2 Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	3,800,247	11,007,341	26,834,249	41,641,837
Net impairment charge for the year due to:				
New financial assets originated	1,724,821	6,263,150	-	7,987,971
Changes in the gross carrying amount				
- Transfer to stage 1	343,794	(944,456)	(226,177)	(826,839)
- Transfer to stage 2	(814,775)	5,675,603	(1,012,022)	3,848,806
- Transfer to stage 3	(16,294)	(1,032,291)	2,744,490	1,695,905
Net remeasurement of impairment	567,442	1,077,913	3,223,004	4,868,359
Financial assets that have been derecognised	(1,028,198)	(2,020,847)	(3,213,380)	(6,262,425)
Changes to contractual cash flows due to modifications	-	1,194,653	1,693,107	2,887,760
Write-off during the year	-	-	(497,652)	(497,652)
Interest accrued on impaired loans & advances	-	-	(3,027,412)	(3,027,412)
Other movements	-	-	2,448,990	2,448,990
Balance as at 31st December 2021	4,577,037	21,221,066	28,967,197	54,765,300
Balance as at 1st January 2022	4,577,037	21,221,066	28,967,197	54,765,300
Net impairment charge for the year due to:				
New financial assets originated	2,981,800	9,141,564	-	12,123,364
Changes in the gross carrying amount				
- Transfer to stage 1	1,009,691	(1,131,505)	(201,174)	(322,988)
- Transfer to stage 2	(893,147)	5,390,705	(878,821)	3,618,737
- Transfer to stage 3	(274,317)	(4,367,946)	20,089,863	15,447,600
Net remeasurement of impairment	3,707,413	7,850,780	5,357,800	16,915,993
Financial assets that have been derecognised	(1,450,044)	(6,662,599)	(1,215,081)	(9,327,724)
Changes to contractual cash flows due to modifications	-	10,482,900	5,503,583	15,986,483
Write-off during the year	-	-	(1,813,890)	(1,813,890)
Interest accrued on impaired loans & advances	-	-	(6,281,486)	(6,281,486)
Other movements	276,065	3,726,189	7,999,848	12,002,102
Balance as at 31st December 2022	9,934,498	45,651,154	57,527,839	113,113,491

51.2.4(c) Stage-wise movement of gross carrying values of credit related commitments and contingencies

Changes in the gross carrying amount of credit related commitments and contingencies during the period that contributed to changes in impairment provision, is given below:

Bank

	Stage 1 Subject to 12-month ECL Rs 000	Stage 2 Subject to Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Subject to Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	278,363,218	43,964,107	2,010,698	324,338,023
Current stage of new commitments originated	76,380,401	10,574,128	-	86,954,529
Changes in the gross carrying amount				
- Transfer to stage 1	10,589,196	(10,199,359)	(118,359)	271,478
- Transfer to stage 2	(19,109,842)	19,319,312	(163,903)	45,567
- Transfer to stage 3	(36,620)	(194,437)	791,552	560,495
Amounts that have been derecognised	(56,930,386)	(10,129,022)	(1,323,837)	(68,383,245)
Balance as at 31st December 2021	289,255,967	53,334,729	1,196,151	343,786,847
Balance as at 1st January 2022	289,255,967	53,334,729	1,196,151	343,786,847
Current stage of new commitments originated	37,436,478	7,530,171	-	44,966,649
Changes in the gross carrying amount				
- Transfer to stage 1	16,867,260	(12,753,409)	(187,620)	3,926,231
- Transfer to stage 2	(27,463,269)	30,703,421	(72,171)	3,167,981
- Transfer to stage 3	(147,756)	(2,370,561)	2,081,430	(436,887)
Amounts that have been derecognised	(75,839,569)	(16,419,553)	(611,834)	(92,870,956)
Balance as at 31st December 2022	240,109,111	60,024,798	2,405,956	302,539,865

Group

	Stage 1 Subject to 12-month ECL Rs 000	Stage 2 Subject to Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Subject to Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	272,263,668	43,964,107	2,010,698	318,238,473
Current stage of new commitments originated	76,380,401	10,574,128	-	86,954,529
Changes in the gross carrying amount				
- Transfer to stage 1	10,589,196	(10,199,359)	(118,359)	271,478
- Transfer to stage 2	(19,109,842)	19,319,312	(163,903)	45,567
- Transfer to stage 3	(36,620)	(194,437)	791,552	560,495
Amounts that have been derecognised	(54,120,542)	(10,129,022)	(1,323,837)	(65,573,401)
Balance as at 31st December 2021	285,966,261	53,334,729	1,196,151	340,497,141
Balance as at 1st January 2022	285,966,261	53,334,729	1,196,151	340,497,141
Current stage of new commitments originated	39,608,796	7,530,171	-	47,138,967
Changes in the gross carrying amount				
- Transfer to stage 1	16,867,260	(12,753,409)	(187,620)	3,926,231
- Transfer to stage 2	(27,463,269)	30,703,421	(72,171)	3,167,981
- Transfer to stage 3	(147,756)	(2,370,561)	2,081,430	(436,887)
Amounts that have been derecognised	(75,869,300)	(16,419,553)	(611,834)	(92,900,687)
Balance as at 31st December 2022	238,961,992	60,024,798	2,405,956	301,392,746

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51.2.4(d) Stage-wise movement of impairment for credit related commitments and contingencies

More information about the significant changes in the impairment for credit related commitments and contingencies during the period is provided in the tables below:

Bank

	Stage 1 Subject to 12-month ECL Rs 000	Stage 2 Subject to Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Subject to Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	1,155,451	348,123	182,232	1,685,806
Net impairment charge for the year due to:				
New commitments originated	136,776	107,044	-	243,820
Changes in the gross carrying amount				
- Transfer to stage 1	6,947	(19,414)	-	(12,467)
- Transfer to stage 2	(42,717)	262,725	(12,888)	207,120
- Transfer to stage 3	(35)	-	15,578	15,543
Net remeasurement of impairment	323,906	29,961	169,937	523,804
Amounts that have been derecognised	(274,731)	(109,577)	(19,344)	(403,652)
Balance as at 31st December 2021	1,305,597	618,862	335,515	2,259,974
Balance as at 1st January 2022	1,305,597	618,862	335,515	2,259,974
Net impairment charge for the year due to:				
New commitments originated	232,065	256,138	-	488,203
Changes in the gross carrying amount				
- Transfer to stage 1	36,709	(189,662)	-	(152,953)
- Transfer to stage 2	(46,647)	306,532	-	259,885
- Transfer to stage 3	(608)	(4,370)	4,978	-
Net remeasurement of impairment	721,148	214,159	-	935,307
Amounts that have been derecognised	(120,191)	(226,246)	(324,915)	(671,352)
Balance as at 31st December 2022	2,128,073	975,413	15,578	3,119,064

Group

	Stage 1 Subject to 12-month ECL Rs 000	Stage 2 Subject to Lifetime ECL but not Credit Impaired Rs 000	Stage 3 Subject to Lifetime ECL Credit Impaired Rs 000	Total Rs 000
Balance as at 1st January 2021	1,156,568	348,123	182,232	1,686,923
Net impairment charge for the year due to:				
New commitments originated	136,776	107,044	-	243,820
Changes in the gross carrying amount				
- Transfer to stage 1	6,947	(19,414)	-	(12,467)
- Transfer to stage 2	(42,717)	262,725	(12,888)	207,120
- Transfer to stage 3	(35)	-	15,578	15,543
Net remeasurement of impairment	323,906	29,961	169,937	523,804
Amounts that have been derecognised	(311,704)	(109,577)	(19,344)	(440,625)
Balance as at 31st December 2021	1,269,741	618,862	335,515	2,224,118
Balance as at 1st January 2022	1,269,741	618,862	335,515	2,224,118
Net impairment charge for the year due to:				
New commitments originated	264,771	256,138	-	520,909
Changes in the gross carrying amount				
- Transfer to stage 1	36,709	(189,662)	-	(152,953)
- Transfer to stage 2	(46,647)	306,532	-	259,885
- Transfer to stage 3	(608)	(4,370)	4,978	-
Net remeasurement of impairment	718,534	214,159	-	932,693
Amounts that have been derecognised	(120,191)	(226,246)	(324,915)	(671,352)
Balance as at 31st December 2022	2,122,309	975,413	15,578	3,113,300

51.2.4(e) Stage-wise movement of gross carrying values of other financial assets

Due to the ongoing restructuring of foreign currency denominated government debts, the Bank transferred all such securities from stage 1 to stage 2 in 2022. Since the restructuring announcement, the government offered to settle SLDBs in local currency by issuing treasury bills/bonds etc, which the Bank has accepted, allowing it to reduce the SLDB portfolio during the year. As a result, the Bank's total investment in FCY denominated government securities decreased to USD 218 Mn as at 31st December 2022 (2021: USD 426.2 Mn). Other than the above, no other material stage movements were recorded in other financial assets during the year.

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51.2.5 Credit Quality by Class of Financial Assets

The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the internal credit ratings for loans and advances and based on external credit ratings for other financial assets.

(a) Bank

	High Grade				Standard Grade				Sub -Standard Grade			
	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
As at 31st December 2022												
Financial Assets												
Cash & cash equivalents	57,360,922	-	-	21,767,723	19,636	-	-	-	-	-	-	-
Balances with CBSL	-	-	-	31,579,185	-	-	-	-	-	-	-	-
Placements with banks	10,929,771	-	-	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	10,072,569	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	44,404	-	-	-	194	-	-	-	-
Financial assets - FVPL	-	-	-	4,641,277	-	-	-	-	-	-	-	-
Financial assets at amortised cost												
- loans & advances	303,580,177	91,196,965	-	-	123,562,263	187,386,974	34,046,236	-	621,874	21,430,746	3,778,016	-
- debt & other instruments	214,076,008	-	-	-	2,439,592	-	-	-	490,744	78,994,873	-	-
Financial assets - FVOCI	27,369,187	-	-	-	-	-	-	-	-	671,756	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	623,388,634	91,196,965	-	58,032,589	126,021,491	187,386,974	34,046,236	194	1,112,618	101,097,375	3,778,016	-
Credit related commitments & contingencies	153,199,925	21,772,701	-	-	62,595,060	36,898,759	2,175,165	-	181,820	888,611	116,743	-
As at 31st December 2021												
Financial Assets												
Cash & cash equivalents	2,679,353	-	-	20,001,171	7,008	-	-	-	293,648	-	-	-
Balances with CBSL	-	-	-	30,874,556	-	-	-	-	-	-	-	-
Placements with banks	2,739,907	-	-	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	2,752,011	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	1,352,198	-	-	-	30,998	-	-	-	-
Financial assets - FVPL	-	-	-	3,907,704	-	-	-	-	-	-	-	-
Financial assets at amortised cost												
- loans & advances	294,422,933	63,023,885	-	-	145,545,256	156,203,364	6,781,664	-	2,325,128	23,999,046	1,910,388	-
- debt & other instruments	296,626,505	-	-	-	2,001,643	-	-	-	-	-	-	-
Financial assets - FVOCI	38,493,233	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	637,713,942	63,023,885	-	56,135,629	147,553,907	156,203,364	6,781,664	30,998	2,618,776	23,999,046	1,910,388	-
Credit related commitments & contingencies	190,747,235	19,751,803	-	-	72,423,070	31,930,746	588,762	-	1,448,441	854,308	80,701	-

	Low Grade				Unrated				Exposures not subject to Rating				Total Rs 000
	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
	115,551	-	-	-	-	-	-	-	-	-	-	-	79,263,832
	-	-	-	-	-	-	-	-	-	-	-	-	31,579,185
	-	-	-	-	-	-	-	-	-	-	-	-	10,929,771
	-	-	-	-	-	-	-	-	-	-	-	-	10,072,569
	-	-	-	-	-	-	-	-	-	-	-	-	44,598
	-	-	-	-	-	-	-	-	-	-	-	-	4,641,277
	212,725	4,841,152	60,697,259	-	85,367,057	1,000,958	2,324,838	-	74,411	-	-	-	920,121,651
	-	-	21,197	-	1,164,291	-	254,784	-	-	-	-	-	297,441,489
	-	-	-	-	-	-	-	4,731,987	-	-	-	-	32,772,930
	-	-	-	-	-	-	-	-	21,174,017	-	-	-	21,174,017
	328,276	4,841,152	60,718,456	-	86,531,348	1,000,958	2,579,622	4,731,987	21,248,428	-	-	-	1,408,041,319
	25,114	34,526	114,048	-	24,107,192	430,201	-	-	-	-	-	-	302,539,865
	-	-	-	-	-	-	-	-	-	-	-	-	22,981,180
	-	-	-	-	-	-	-	-	-	-	-	-	30,874,556
	-	-	-	-	-	-	-	-	-	-	-	-	2,739,907
	-	-	-	-	-	-	-	-	-	-	-	-	2,752,011
	-	-	-	-	-	-	-	15,923	-	-	-	-	1,399,119
	-	-	-	-	-	-	-	-	-	-	-	-	3,907,704
	659,342	9,181,941	46,151,492	-	60,989,833	630,634	1,263,506	-	14,201	-	3,814	-	813,106,427
	-	-	283,350	-	825,620	-	-	-	-	-	-	-	299,737,118
	-	-	-	-	-	-	-	4,510,912	-	-	-	-	43,004,145
	-	-	-	-	-	-	-	-	10,645,606	-	-	-	10,645,606
	659,342	9,181,941	46,434,842	-	61,815,453	630,634	1,263,506	4,526,835	10,659,807	-	3,814	-	1,231,147,773
	222,625	348,002	526,688	-	24,414,596	449,870	-	-	-	-	-	-	343,786,847

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(b) Group

	High Grade				Standard Grade				Sub -Standard Grade				
	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
As at 31st December 2022													
Financial Assets													
Cash & cash equivalents	57,391,552	-	-	21,919,138	19,673	-	-	-	-	-	-	-	
Balances with CBSL	-	-	-	31,579,185	-	-	-	-	-	-	-	-	
Placements with banks	10,929,771	-	-	-	-	-	-	-	-	-	-	-	
Reverse repurchase agreements	10,299,569	-	-	-	-	-	-	-	-	-	-	-	
Derivative financial instruments	-	-	-	44,404	-	-	-	194	-	-	-	-	
Financial assets - FVPL	-	-	-	4,661,571	-	-	-	-	-	-	-	-	
Financial assets at amortised cost													
- loans & advances	297,154,177	91,196,965	-	-	123,562,263	187,386,974	34,046,236	-	621,874	21,430,746	3,778,016	-	
- debt & other instruments	219,537,874	-	-	-	2,439,592	-	-	-	490,744	78,994,873	-	-	
Financial assets - FVOCI	27,369,187	-	-	-	-	-	-	-	-	671,756	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	
Total	622,682,130	91,196,965	-	58,204,298	126,021,528	187,386,974	34,046,236	194	1,112,618	101,097,375	3,778,016	-	
Credit related commitments & contingencies	152,038,339	21,772,701	-	-	62,595,060	36,898,759	2,175,165	-	181,820	888,611	116,743	-	
As at 31st December 2021													
Financial Assets													
Cash & cash equivalents	2,689,235	-	-	20,135,860	7,046	-	-	-	293,648	-	-	-	
Balances with CBSL	-	-	-	30,874,556	-	-	-	-	-	-	-	-	
Placements with banks	2,739,907	-	-	-	-	-	-	-	-	-	-	-	
Reverse repurchase agreements	4,861,922	-	-	-	-	-	-	-	-	-	-	-	
Derivative financial instruments	-	-	-	1,352,198	-	-	-	30,998	-	-	-	-	
Financial assets - FVPL	-	-	-	3,907,704	-	-	-	-	-	-	-	-	
Financial assets at amortised cost													
- loans & advances	293,350,234	60,183,139	-	-	145,545,256	156,203,364	6,781,664	-	2,325,128	23,999,046	1,910,388	-	
- debt & other instruments	297,526,746	-	-	-	2,001,643	-	-	-	-	-	-	-	
Financial assets - FVOCI	38,493,233	-	-	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	
Total	639,661,277	60,183,139	-	56,270,318	147,553,945	156,203,364	6,781,664	30,998	2,618,776	23,999,046	1,910,388	-	
Credit related commitments & contingencies	187,413,331	19,751,803	-	-	72,423,070	31,930,746	588,762	-	1,448,441	854,308	80,701	-	

	Low Grade				Unrated				Exposures not subject to Rating				Total Rs 000
	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	Stage 1	Stage 2	Stage 3	Exposures not subject to ECL	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
	115,551	-	-	-	-	-	-	-	-	-	-	-	79,445,914
	-	-	-	-	-	-	-	-	-	-	-	-	31,579,185
	-	-	-	-	-	-	-	-	-	-	-	-	10,929,771
	-	-	-	-	-	-	-	-	-	-	-	-	10,299,569
	-	-	-	-	-	-	-	-	-	-	-	-	44,598
	-	-	-	-	-	-	-	160,824	-	-	-	-	4,822,395
	212,725	4,841,152	60,697,259	-	98,268,767	17,294,040	12,524,624	-	74,411	-	-	-	953,090,229
	-	-	21,197	-	1,164,291	-	254,784	-	-	-	-	-	302,903,355
	-	-	-	-	-	-	-	4,732,043	-	-	-	-	32,772,986
	-	-	-	-	-	-	-	-	22,481,685	-	-	-	22,481,685
	328,276	4,841,152	60,718,456	-	99,433,058	17,294,040	12,779,408	4,892,867	22,556,096	-	-	-	1,448,369,687
	25,114	34,526	114,048	-	24,121,659	430,201	-	-	-	-	-	-	301,392,746
	-	-	-	-	-	-	-	-	-	-	-	-	23,125,789
	-	-	-	-	-	-	-	-	-	-	-	-	30,874,556
	-	-	-	-	-	-	-	-	-	-	-	-	2,739,907
	-	-	-	-	-	-	-	-	-	-	-	-	4,861,922
	-	-	-	-	-	-	-	15,923	-	-	-	-	1,399,119
	-	-	-	-	-	-	-	-	-	-	-	-	3,907,704
	659,342	9,181,941	46,151,492	-	72,295,344	19,682,892	12,282,408	-	14,201	-	3,814	-	850,569,653
	-	-	283,350	-	825,620	-	-	-	-	-	-	-	300,637,359
	-	-	-	-	-	-	-	4,510,968	-	-	-	-	43,004,201
	-	-	-	-	-	-	-	-	11,587,129	-	-	-	11,587,129
	659,342	9,181,941	46,434,842	-	73,120,964	19,682,892	12,282,408	4,526,891	11,601,330	-	3,814	-	1,272,707,339
	222,625	348,002	526,688	-	24,458,794	449,870	-	-	-	-	-	-	340,497,141

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51.2.6 Counterparty-wise Analysis of Derivative Financial Instruments

The following table shows a counterparty-wise analysis of derivative financial instruments.

Bank & Group

As at 31st December 2022	Type of derivative								Total	
	SPOT		Forward		SWAP		Gain/Loss			
	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000
Derivative financial assets										
- with banks	-	-	-	-	5,020,107	30,439	5,020,107	30,439	5,020,107	30,439
- with other customers	-	-	1,713,898	14,159	-	-	-	-	1,713,898	14,159
Total derivative financial assets	-	-	1,713,898	14,159	5,020,107	30,439	6,734,005	44,598		
Derivative financial liabilities										
- with banks	-	-	966,100	2,970	5,881,131	1,435,157	6,847,231	1,438,127		
- with other customers	1,335,740	11,266	-	-	-	-	1,335,740	11,266		
Total derivative financial liabilities	1,335,740	11,266	966,100	2,970	5,881,131	1,435,157	8,182,971	1,449,393		
Bank & Group										
As at 31st December 2021	Type of derivative								Total	
	SPOT		Forward		SWAP		Gain/Loss			
	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000	Notional amount Rs 000	Gain/Loss Rs 000
Derivative financial assets										
- with banks	856,386	888	-	-	21,619,386	947,959	22,475,772	948,847		
- with other customers	-	-	7,018,050	450,272	-	-	7,018,050	450,272		
Total derivative financial assets	856,386	888	7,018,050	450,272	21,619,386	947,959	29,493,822	1,399,119		
Derivative financial liabilities										
- with banks	204,399	88	-	-	19,722,478	604,362	19,926,877	604,450		
- with other customers	80,034	3,473	-	-	-	-	80,034	3,473		
Total derivative financial liabilities	284,433	3,561	-	-	19,722,478	604,362	20,006,911	607,923		

51.2.7 Analysis of Risk Concentration

By setting various concentration limits (i.e. single borrower/group, industry, product, country/region etc), the Bank/Group ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed at management and Board level to capture the developments in the macro economy, both locally and globally. The exposure to credit risk based on the geographical concentration and industry/sector concentration is given below, for each item of financial asset in the Statement of Financial Position.

51.2.7.1 Geographical Concentration

(a) Bank

As at 31st December	2022			2021		
	Sri Lanka Rs 000	Overseas Rs 000	Total Rs 000	Sri Lanka Rs 000	Overseas Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	23,728,423	55,434,122	79,162,545	20,549,533	2,333,466	22,882,999
Balances with Central Bank of						
Sri Lanka	31,579,185	-	31,579,185	30,874,556	-	30,874,556
Placements with banks	3,038,614	7,888,602	10,927,216	-	2,739,514	2,739,514
Reverse repurchase agreements	10,072,569	-	10,072,569	2,752,011	-	2,752,011
Derivative financial instruments	44,598	-	44,598	1,298,127	100,992	1,399,119
Financial assets recognised through profit or loss - measured at fair value	4,641,277	-	4,641,277	3,907,704	-	3,907,704
Financial assets at amortised cost						
- loans & advances *	767,958,543	43,199,106	811,157,649	736,177,173	26,411,121	762,588,294
- debt & other instruments	278,775,796	-	278,775,796	293,766,967	-	293,766,967
Financial assets - fair value through other comprehensive income	28,068,871	4,704,059	32,772,930	38,521,161	4,482,984	43,004,145
Other assets	18,874,273	2,299,744	21,174,017	10,338,262	307,344	10,645,606
Total	1,166,782,149	113,525,633	1,280,307,782	1,138,185,494	36,375,421	1,174,560,915

* Provincial breakdown for loans & advances within Sri Lanka

Province	Bank	
	2022 Rs 000	2021 Rs 000
Central	48,150,531	48,325,687
Eastern	15,950,682	15,882,634
North Central	17,247,319	17,605,488
North Western	34,396,408	35,612,843
Northern	12,298,883	13,007,687
Sabaragamuwa	15,751,805	15,927,258
Southern	34,580,093	33,081,532
Uva	12,890,951	13,900,383
Western	576,691,871	542,833,661
Total	767,958,543	736,177,173

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(b) Group

As at 31st December	2022			2021		
	Sri Lanka Rs 000	Overseas Rs 000	Total Rs 000	Sri Lanka Rs 000	Overseas Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	23,910,465	55,434,122	79,344,587	20,694,122	2,333,466	23,027,588
Balances with Central Bank of						
Sri Lanka	31,579,185	-	31,579,185	30,874,556	-	30,874,556
Placements with banks	3,038,614	7,888,602	10,927,216	-	2,739,514	2,739,514
Reverse repurchase agreements	10,299,569	-	10,299,569	4,861,922	-	4,861,922
Derivative financial instruments	44,598	-	44,598	1,298,127	100,992	1,399,119
Financial assets recognised through profit or loss - measured at fair value	4,822,395	-	4,822,395	3,907,704	-	3,907,704
Financial assets at amortised cost						
- loans & advances *	796,777,632	43,199,106	839,976,738	769,393,232	26,411,121	795,804,353
- debt & other instruments	284,237,662	-	284,237,662	294,667,208	-	294,667,208
Financial assets - fair value through other comprehensive income	28,068,927	4,704,059	32,772,986	38,521,217	4,482,984	43,004,201
Other assets	20,181,941	2,299,744	22,481,685	11,279,785	307,344	11,587,129
Total	1,202,960,988	113,525,633	1,316,486,621	1,175,497,873	36,375,421	1,211,873,294

* Provincial breakdown for loans & advances within Sri Lanka

Province	Group	
	2022 Rs 000	2021 Rs 000
Central	53,134,699	53,295,484
Eastern	19,209,519	19,353,335
North Central	18,752,180	19,151,578
North Western	37,956,594	39,547,602
Northern	13,520,959	14,075,996
Sabaragamuwa	17,888,319	18,237,434
Southern	37,164,457	35,697,232
Uva	13,360,631	14,431,888
Western	585,790,274	555,602,683
Total	796,777,632	769,393,232

51.2.7.2 Industry/sector concentration

The following tables show the risk concentration by industry for the financial assets.

(a) Bank - as at 31st December 2022

	Agriculture & Related	Manufacturing	Tourism	Transport	Construction	Infrastructure	Traders	Banks, Financial & Business Services	Other Services	Consumers	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets											
Cash & cash equivalents	-	-	-	-	-	-	-	79,162,545	-	-	79,162,545
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	31,579,185	-	-	31,579,185
Placements with banks	-	-	-	-	-	-	-	10,927,216	-	-	10,927,216
Reverse repurchase agreements	-	-	-	-	-	-	-	10,072,569	-	-	10,072,569
Derivative financial instruments	1,181	-	-	-	-	-	195	30,438	12,784	-	44,598
Financial assets recognised through profit or loss - measured at fair value	-	-	-	-	-	-	-	4,641,277	-	-	4,641,277
Financial assets at amortised cost											
- loans & advances	72,658,697	139,039,865	70,365,368	7,350,207	93,464,271	48,530,831	105,843,874	66,885,698	78,224,295	128,794,543	811,157,649
- debt & other instruments	-	-	-	-	-	2,442,667	-	276,333,129	-	-	278,775,796
Financial assets - fair value through other comprehensive income											
Other assets	-	-	-	-	-	-	-	32,772,930	-	-	32,772,930
Total	72,659,878	139,039,865	70,365,368	7,350,207	93,464,271	50,973,498	105,844,069	532,953,169	78,862,914	128,794,543	1,280,307,782

(b) Bank - as at 31st December 2021

	Agriculture & Related	Manufacturing	Tourism	Transport	Construction	Infrastructure	Traders	Banks, Financial & Business Services	Other Services	Consumers	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets											
Cash & cash equivalents	-	-	-	-	-	-	-	22,882,999	-	-	22,882,999
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	30,874,556	-	-	30,874,556
Placements with banks	-	-	-	-	-	-	-	2,739,514	-	-	2,739,514
Reverse repurchase agreements	-	-	-	-	-	-	-	2,752,011	-	-	2,752,011
Derivative financial instruments	-	-	-	-	-	-	-	948,847	450,272	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	-	-	-	-	-	-	-	3,907,704	-	-	3,907,704
Financial assets at amortised cost											
- loans & advances	77,833,246	89,875,576	64,477,696	9,446,659	99,048,382	47,658,393	119,928,804	69,195,294	68,897,472	116,226,772	762,588,294
- debt & other instruments	-	-	-	-	-	1,268,511	-	292,498,456	-	-	293,766,967
Financial assets - fair value through other comprehensive income											
Other assets	-	-	-	-	-	-	-	43,004,145	-	-	43,004,145
Total	77,833,246	89,875,576	64,477,696	9,446,659	99,048,382	48,926,904	119,928,804	478,817,310	69,979,566	116,226,772	1,174,560,915

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(c) Group - as at 31st December 2022

	Agriculture & Related	Manufacturing	Tourism	Transport	Construction	Infrastructure	Traders	Banks, Financial & Business Services	Other Services	Consumers	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets											
Cash & cash equivalents	-	-	-	-	-	-	-	79,344,587	-	-	79,344,587
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	31,579,185	-	-	31,579,185
Placements with banks	-	-	-	-	-	-	-	10,927,216	-	-	10,927,216
Reverse repurchase agreements	-	-	-	-	-	-	-	10,299,569	-	-	10,299,569
Derivative financial instruments	1,181	-	-	-	-	-	195	30,438	12,784	-	44,598
Financial assets recognised through profit or loss - measured at fair value	-	-	-	-	-	-	-	4,822,395	-	-	4,822,395
Financial assets at amortised cost											
- loans & advances	75,621,565	141,749,399	71,040,990	10,082,732	93,651,246	50,304,132	110,797,893	62,308,609	93,769,648	130,650,524	839,976,738
- debt & other instruments	-	-	-	-	-	2,442,667	-	281,794,995	-	-	284,237,662
Financial assets - fair value through other comprehensive income	-	-	-	-	-	-	-	32,772,986	-	-	32,772,986
Other assets	-	-	-	-	-	-	-	20,548,185	1,933,500	-	22,481,685
Total	75,622,746	141,749,399	71,040,990	10,082,732	93,651,246	52,746,799	110,798,088	534,428,165	95,715,932	130,650,524	1,316,486,621

(d) Group - as at 31st December 2021

	Agriculture & Related	Manufacturing	Tourism	Transport	Construction	Infrastructure	Traders	Banks, Financial & Business Services	Other Services	Consumers	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets											
Cash & cash equivalents	-	-	-	-	-	-	-	23,027,588	-	-	23,027,588
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	30,874,556	-	-	30,874,556
Placements with banks	-	-	-	-	-	-	-	2,739,514	-	-	2,739,514
Reverse repurchase agreements	-	-	-	-	-	-	-	4,861,922	-	-	4,861,922
Derivative financial instruments	-	-	-	-	-	-	-	948,847	450,272	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	-	-	-	-	-	-	-	3,907,704	-	-	3,907,704
Financial assets at amortised cost											
- loans & advances	81,315,811	92,977,594	65,509,095	12,560,822	99,553,955	49,448,434	125,660,552	67,470,830	77,483,028	123,824,232	795,804,353
- debt & other instruments	-	-	-	-	-	1,268,511	-	293,398,697	-	-	294,667,208
Financial assets - fair value through other comprehensive income	-	-	-	-	-	-	-	43,004,201	-	-	43,004,201
Other assets	-	-	-	-	-	-	-	10,013,784	1,573,345	-	11,587,129
Total	81,315,811	92,977,594	65,509,095	12,560,822	99,553,955	50,716,945	125,660,552	480,247,643	79,506,645	123,824,232	1,211,873,294

51.2.8 Commitments and Contingencies

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank should have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the Statement of Financial Position. The Bank's maximum credit risk exposure to commitments and contingencies are disclosed in Notes to the Financial Statements.

51.3 Liquidity Risk and Funding Management

The Bank manages liquidity risk, in accordance with regulatory guidelines and industry best practices. The objective of the Bank's liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and market access remains cost effective.

A board approved liquidity policy to manage liquidity on a day-to-day basis and a contingency funding plan to deal with crisis situations are in place. Contractual and behavioural maturity of assets and liabilities, key liquidity ratios and monthly liquidity forecasts and gaps are reviewed at Assets and Liability Committee (ALCO) meetings. The main sources of the Bank's funding are core deposits from retail and commercial clients, wholesale deposits and access to borrowed funds from the interbank money market. The Bank also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. Liquidity risk exposure is managed with limits and triggers being set, thereby ensuring that sufficient liquidity surplus and reserves are available to meet daily business requirements and also to deal with a sudden liquidity shock.

51.3.1 Liquidity Ratios

51.3.1(a) Statutory Liquid Assets Ratio (SLAR)

With effect from December 2022, licensed commercial banks were required to maintain liquid assets at an amount not less than 20% of total adjusted liabilities, on a consolidated basis for the overall bank. The requirement to maintain SLAR separately for Domestic Banking Unit (DBU) and Off-shore Banking Unit (OBU) was temporarily deferred until further notice.

For the month of December	2022	2021
	%	%
SLAR: Bank	27.85	32.62

51.3.1(b) Liquidity Coverage Ratio (LCR)

This ratio determines the ability of the Bank to withstand adverse liquidity shocks (i.e. sudden withdrawal of a significant portion of deposits) over a 30 day time span, measured by the amount of unencumbered high-quality liquid assets it holds, over and above the anticipated net cash outflow during this period.

As at 31st December	2022	2021
	%	%
Rupee Liquidity Requirement	200.78	254.89
All Currency Liquidity Requirement	146.53	213.43

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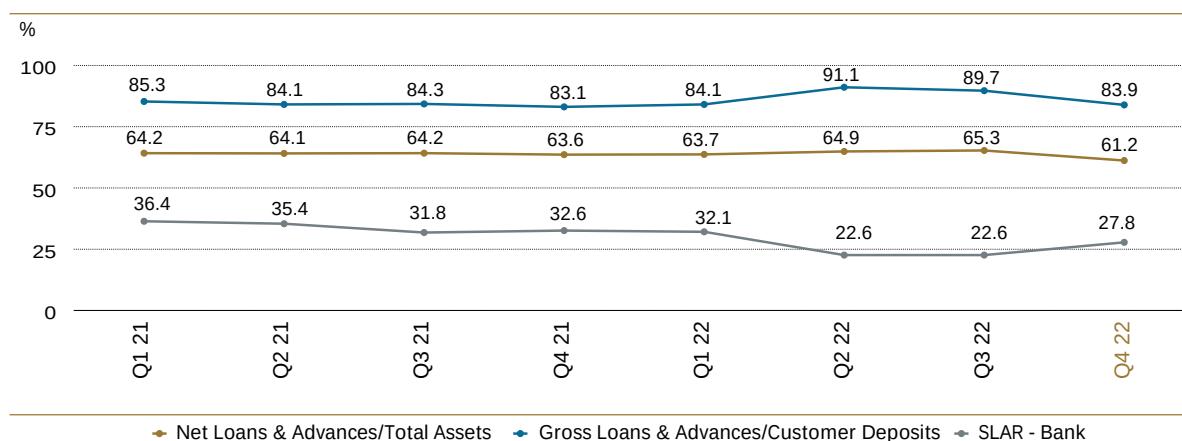
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51.3.1(c) Net Stable Funding Ratio (NSFR)

This ratio measures the Bank's availability of stable funds against the required funds. NSFR creates an additional incentive for banks to fund their activities with more stable sources of funding on an ongoing basis, over a longer time horizon.

As at 31st December	2022	2021
	%	%
Net Stable Funding Ratio (NSFR)	157.10	149.92

51.3.1(d) Liquidity Ratios under Stock Approach



51.3.2 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The tables below summarise the maturity profile of the undiscounted cash flows of the Bank/Group's financial assets and financial liabilities as at 31st December 2022 and 31st December 2021. Although the cash outflows have been considered based on the earliest date of repayment, it is believed that most of the customers would not expect the repayments on the earliest possible date. Therefore, the behavioural maturity profile would be different to the contractual maturities shown in the below tables.

Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Financial Liabilities

(a) Bank - as at 31st December 2022

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	79,179,816	-	-	-	-	79,179,816
Balances with Central Bank of Sri Lanka	16,780,964	11,778,401	1,630,017	767,031	622,772	31,579,185
Placements with banks	10,971,710	-	-	-	-	10,971,710
Reverse repurchase agreements	10,173,942	-	-	-	-	10,173,942
Derivative financial instruments	44,027	571	-	-	-	44,598
Financial assets recognised through profit or loss - measured at fair value	4,641,277	-	-	-	-	4,641,277
Financial assets at amortised cost						
- loans & advances	302,962,961	222,383,406	235,764,492	132,877,462	167,803,111	1,061,791,432
- debt & other instruments	33,139,671	99,622,560	127,611,836	52,578,242	26,693,748	339,646,057
Financial assets - fair value through other comprehensive income	3,504,812	1,976,188	19,927,894	-	7,364,036	32,772,930
Other assets	10,376,832	10,781,025	-	-	17,346	21,175,203
Total Financial Assets	471,776,012	346,542,151	384,934,239	186,222,735	202,501,013	1,591,976,150
Financial Liabilities						
Due to banks	7,004,426	4,535,672	-	-	-	11,540,098
Derivative financial instruments	611,603	837,790	-	-	-	1,449,393
Securities sold under repurchase agreements	826,665	1,574,661	-	-	-	2,401,326
Financial liabilities at amortised cost						
- due to depositors	585,180,259	466,079,617	56,779,032	35,798,624	19,154,298	1,162,991,830
- due to other borrowers	177,180	3,934,803	2,890,640	1,515,128	2,661,251	11,179,002
- due to debt securities holders	8,941,750	3,998,265	9,053,000	1,080,000	6,540,000	29,613,015
Dividend payable	187,141	-	-	-	-	187,141
Other liabilities	20,746,179	2,229,921	1,412,350	792,337	1,556,787	26,737,574
Total Financial Liabilities	623,675,203	483,190,729	70,135,022	39,186,089	29,912,336	1,246,099,379
Total Net Financial Assets/(Liabilities)	(151,899,191)	(136,648,578)	314,799,217	147,036,646	172,588,677	345,876,771

Sri Lanka International Sovereign Bonds (SLISBs) that were matured but unsettled during the year have been classified as "Over 5 years", pending finalisation of the debt restructuring arrangement with the government. However, SLISBs amounting USD 80.7 Mn where the capital repayment falling after 31st December 2022, have been classified to respective maturity buckets, based on the contractual due date of the capital repayment.

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(b) Bank - as at 31st December 2021

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	22,883,166	-	-	-	-	22,883,166
Balances with Central Bank of Sri Lanka	19,208,558	9,026,174	1,556,203	621,339	462,282	30,874,556
Placements with banks	2,739,514	-	-	-	-	2,739,514
Reverse repurchase agreements	2,753,226	-	-	-	-	2,753,226
Derivative financial instruments	296,053	876,666	226,400	-	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	3,907,704	-	-	-	-	3,907,704
Financial assets at amortised cost						
- loans & advances	230,751,577	214,257,455	210,560,068	111,838,992	131,536,664	898,944,756
- debt & other instruments	80,355,326	62,534,766	110,144,016	59,013,347	29,739,266	341,786,721
Financial assets - fair value through other comprehensive income	4,776,171	5,031,906	28,192,064	-	5,004,004	43,004,145
Other assets	3,707,304	6,794,563	24,938	-	123,035	10,649,840
Total Financial Assets	371,378,599	298,521,530	350,703,689	171,473,678	166,865,251	1,358,942,747
Financial Liabilities						
Due to banks	18,626,793	3,880,134	1,381,511	-	-	23,888,438
Derivative financial instruments	184,479	423,444	-	-	-	607,923
Securities sold under repurchase agreements	4,060,239	115,323	-	-	-	4,175,562
Financial liabilities at amortised cost						
- due to depositors	593,215,711	320,324,492	49,728,297	21,342,533	13,911,514	998,522,547
- due to other borrowers	156,008	9,009,926	2,486,868	1,319,569	3,786,366	16,758,737
- due to debt securities holders	1,441,750	7,758,750	21,453,015	1,080,000	7,080,000	38,813,515
Dividend payable	148,032	-	-	-	-	148,032
Other liabilities	10,420,438	2,879,018	1,359,670	737,748	1,129,364	16,526,238
Total Financial Liabilities	628,253,450	344,391,087	76,409,361	24,479,850	25,907,244	1,099,440,992
Total Net Financial Assets/(Liabilities)	(256,874,851)	(45,869,557)	274,294,328	146,993,828	140,958,007	259,501,755

(c) Group - as at 31st December 2022

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	79,361,861	-	-	-	-	79,361,861
Balances with Central Bank of Sri Lanka	16,780,964	11,778,401	1,630,017	767,031	622,772	31,579,185
Placements with banks	10,971,710	-	-	-	-	10,971,710
Reverse repurchase agreements	10,400,942	-	-	-	-	10,400,942
Derivative financial instruments	44,027	571	-	-	-	44,598
Financial assets recognised through profit or loss - measured at fair value	4,822,395	-	-	-	-	4,822,395
Financial assets at amortised cost						
- loans & advances	317,147,480	232,037,901	249,163,937	135,817,613	164,372,308	1,098,539,239
- debt & other instruments	35,989,671	102,586,160	127,611,836	52,578,242	26,693,748	345,459,657
Financial assets - fair value through other comprehensive income	3,504,812	1,976,188	19,927,894	-	7,364,092	32,772,986
Other assets	10,427,001	12,026,923	11,601	-	17,346	22,482,871
Total Financial Assets	489,450,863	360,406,144	398,345,285	189,162,886	199,070,266	1,636,435,444
Financial Liabilities						
Due to banks	10,744,808	4,568,040	1,143,638	104,583	-	16,561,069
Derivative financial instruments	611,603	837,790	-	-	-	1,449,393
Securities sold under repurchase agreements	826,665	1,574,661	-	-	-	2,401,326
Financial liabilities at amortised cost						
- due to depositors	587,606,163	481,802,496	59,046,066	39,524,425	19,157,216	1,187,136,366
- due to other borrowers	177,180	3,934,803	2,890,640	1,515,128	2,661,251	11,179,002
- due to debt securities holders	9,272,043	8,233,550	11,638,042	2,710,237	6,540,000	38,393,872
Dividend payable	187,141	-	-	-	-	187,141
Other liabilities	21,179,181	2,306,963	1,549,882	936,248	1,726,088	27,698,362
Total Financial Liabilities	630,604,784	503,258,303	76,268,268	44,790,621	30,084,555	1,285,006,531
Total Net Financial Assets/(Liabilities)	(141,153,921)	(142,852,159)	322,077,017	144,372,265	168,985,711	351,428,913

Sri Lanka International Sovereign Bonds (SLISBs) that were matured but unsettled during the year have been classified as "Over 5 years", pending finalisation of the debt restructuring arrangement with the government. However, SLISBs amounting USD 80.7 Mn where the capital repayment falling after 31st December 2022, have been classified to respective maturity buckets, based on the contractual due date of the capital repayment.

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(d) Group - as at 31st December 2021

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	23,027,757	-	-	-	-	23,027,757
Balances with Central Bank of Sri Lanka	19,208,558	9,026,174	1,556,203	621,339	462,282	30,874,556
Placements with banks	2,739,514	-	-	-	-	2,739,514
Reverse repurchase agreements	3,393,300	1,508,366	-	-	-	4,901,666
Derivative financial instruments	296,053	876,666	226,400	-	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	3,907,704	-	-	-	-	3,907,704
Financial assets at amortised cost						
- loans & advances	243,684,315	225,908,071	227,100,048	117,613,875	131,016,761	945,323,070
- debt & other instruments	80,355,326	63,452,766	110,144,016	59,013,347	29,739,266	342,704,721
Financial assets - fair value through other comprehensive income	4,776,171	5,031,906	28,192,064	-	5,004,060	43,004,201
Other assets	3,722,865	7,831,871	24,938	-	123,035	11,702,709
Total Financial Assets	385,111,563	313,635,820	367,243,669	177,248,561	166,345,404	1,409,585,017
Financial Liabilities						
Due to banks	23,403,299	4,929,043	3,594,497	317,784	11,442	32,256,065
Derivative financial instruments	184,479	423,444	-	-	-	607,923
Securities sold under repurchase agreements	4,060,239	115,323	-	-	-	4,175,562
Financial liabilities at amortised cost						
- due to depositors	598,489,576	330,695,775	51,528,831	21,835,337	13,913,439	1,016,462,958
- due to other borrowers	156,008	9,009,926	2,486,868	1,319,569	3,786,366	16,758,737
- due to debt securities holders	1,441,750	9,521,039	25,904,251	2,863,800	7,080,000	46,810,840
Dividend payable	148,032	-	-	-	-	148,032
Other liabilities	11,486,826	2,812,130	1,417,137	883,175	1,303,379	17,902,647
Total Financial Liabilities	639,370,209	357,506,680	84,931,584	27,219,665	26,094,626	1,135,122,764
Total Net Financial Assets/(Liabilities)	(254,258,646)	(43,870,860)	282,312,085	150,028,896	140,250,778	274,462,253

51.3.3 Remaining Contractual Maturities of Commitments and Contingencies

The tables below illustrate the remaining maturity of the commitments and contingencies based on the contractual expiry dates. However, all undrawn direct and indirect commitments are classified as "On Demand" based on the earliest date those can be drawn down by the customers.

(a) Bank - as at 31st December 2022

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit related commitments & contingencies						
Undrawn - direct credit facilities	150,121,717	-	-	-	-	150,121,717
Undrawn - indirect credit facilities	75,091,183	-	-	-	-	75,091,183
Acceptances	179,224	8,138,598	4,193,422	-	-	12,511,244
Documentary credit	940,503	11,981,705	7,653,891	415,405	-	20,991,504
Guarantees	5,329,707	14,501,840	22,304,124	1,687,153	1,393	43,824,217
	231,662,334	34,622,143	34,151,437	2,102,558	1,393	302,539,865
Other commitments & contingencies						
Capital commitments	960,985	-	-	-	-	960,985
Operating lease commitments	-	27,940	36,465	-	-	64,405
Forward & SWAP contracts	-	11,387,848	3,529,128	-	-	14,916,976
	960,985	11,415,788	3,565,593	-	-	15,942,366
Total gross commitments & contingencies	232,623,319	46,037,931	37,717,030	2,102,558	1,393	318,482,231
Impairment for expected credit losses - credit related commitments & contingencies	(2,769,394)	(132,286)	(202,116)	(15,255)	(13)	(3,119,064)
Commitments & contingencies - net of impairment for expected credit losses	229,853,925	45,905,645	37,514,914	2,087,303	1,380	315,363,167

(b) Bank - as at 31st December 2021

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit related commitments & contingencies						
Undrawn - direct credit facilities	143,494,436	-	-	-	-	143,494,436
Undrawn - indirect credit facilities	59,795,048	-	-	-	-	59,795,048
Acceptances	423,849	19,269,602	20,224,717	1,424	-	39,919,592
Documentary credit	3,684,876	25,019,316	15,098,253	-	-	43,802,445
Guarantees	5,069,076	15,625,044	28,493,954	7,583,904	3,348	56,775,326
	212,467,285	59,913,962	63,816,924	7,585,328	3,348	343,786,847
Other commitments & contingencies						
Capital commitments	1,010,914	-	-	-	-	1,010,914
Operating lease commitments	-	17,264	23,898	-	-	41,162
Forward & SWAP contracts	-	35,308,463	12,776,683	1,415,587	-	49,500,733
	1,010,914	35,325,727	12,800,581	1,415,587	-	50,552,809
Total gross commitments & contingencies	213,478,199	95,239,689	76,617,505	9,000,915	3,348	394,339,656
Impairment for expected credit losses - credit related commitments & contingencies	(1,735,028)	(158,989)	(289,133)	(76,790)	(34)	(2,259,974)
Commitments & contingencies - net of impairment for expected credit losses	211,743,171	95,080,700	76,328,372	8,924,125	3,314	392,079,682

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(c) Group - as at 31st December 2022

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit related commitments & contingencies						
Undrawn - direct credit facilities	148,968,897	-	-	-	-	148,968,897
Undrawn - indirect credit facilities	75,091,183	-	-	-	-	75,091,183
Acceptances	179,224	8,138,598	4,193,422	-	-	12,511,244
Documentary credit	940,503	11,981,705	7,653,891	415,405	-	20,991,504
Guarantees	5,329,708	14,507,540	22,304,124	1,687,153	1,393	43,829,918
	230,509,515	34,627,843	34,151,437	2,102,558	1,393	301,392,746
Other commitments & contingencies						
Capital commitments	960,985	70,153	199,845	-	-	1,230,983
Operating lease commitments	-	27,940	36,465	-	-	64,405
Forward & SWAPs contracts	-	11,387,848	3,529,128	-	-	14,916,976
	960,985	11,485,941	3,765,438	-	-	16,212,364
Total gross commitments & contingencies	231,470,500	46,113,784	37,916,875	2,102,558	1,393	317,605,110
Impairment for expected credit losses - credit related commitments & contingencies	(2,760,813)	(135,103)	(202,116)	(15,255)	(13)	(3,113,300)
Commitments & contingencies - net of impairment for expected credit losses	228,709,687	45,978,681	37,714,759	2,087,303	1,380	314,491,810

(d) Group - as at 31st December 2021

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit related commitments & contingencies						
Undrawn - direct credit facilities	140,198,530	-	-	-	-	140,198,530
Undrawn - indirect credit facilities	59,795,048	-	-	-	-	59,795,048
Acceptances	423,849	19,269,602	20,224,717	1,424	-	39,919,592
Documentary credit	3,684,876	25,019,316	15,098,253	-	-	43,802,445
Guarantees	5,069,076	15,625,044	28,500,154	7,583,904	3,348	56,781,526
	209,171,379	59,913,962	63,823,124	7,585,328	3,348	340,497,141
Other commitments & contingencies						
Capital commitments	967,610	167,128	894,977	-	-	2,029,715
Operating lease commitments	-	17,264	23,898	-	-	41,162
Forward & SWAPs contracts	-	35,308,463	12,776,683	1,415,587	-	49,500,733
	967,610	35,492,855	13,695,558	1,415,587	-	51,571,610
Total gross commitments & contingencies	210,138,989	95,406,817	77,518,682	9,000,915	3,348	392,068,751
Impairment for expected credit losses - credit related commitments & contingencies	(1,699,172)	(158,989)	(289,133)	(76,790)	(34)	(2,224,118)
Commitments & contingencies - net of impairment for expected credit losses	208,439,817	95,247,828	77,229,549	8,924,125	3,314	389,844,633

51.3.4 Financial assets available to support future funding

As at 31st December		2022				2021					
		Encumbered		Unencumbered		Total	Encumbered		Unencumbered		
		Pledged as collateral	Other	Available as collateral	Other			Pledged as collateral	Other	Available as collateral	Other
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Bank											
Financial Assets											
Cash & cash equivalents		-	-	79,162,545	-	79,162,545	-	-	22,882,999	-	22,882,999
Balances with CBSL		-	31,579,185	-	-	31,579,185	-	30,874,556	-	-	30,874,556
Placements with banks		-	-	10,927,216	-	10,927,216	-	-	2,739,514	-	2,739,514
Reverse repurchase agreements		-	-	10,072,569	-	10,072,569	-	-	2,752,011	-	2,752,011
Derivative financial instruments		-	-	-	44,598	44,598	-	-	-	1,399,119	1,399,119
Financial assets - FVPL		-	-	4,641,277	-	4,641,277	-	-	3,907,704	-	3,907,704
Financial assets at amortised cost											
- loans & advances		-	-	811,157,649	-	811,157,649	-	-	762,588,294	-	762,588,294
- debt & other instruments		2,783,782	-	275,992,014	-	278,775,796	4,382,447	-	289,384,520	-	293,766,967
Financial assets - FVOCI		-	-	32,772,930	-	32,772,930	-	-	43,004,145	-	43,004,145
Other assets		-	-	-	21,174,017	21,174,017	-	-	-	10,645,606	10,645,606
Total Financial Assets		2,783,782	31,579,185	1,224,726,200	21,218,615	1,280,307,782	4,382,447	30,874,556	1,127,259,187	12,044,725	1,174,560,915
Group											
Financial Assets											
Cash & cash equivalents		-	-	79,344,587	-	79,344,587	-	-	23,027,588	-	23,027,588
Balances with CBSL		-	31,579,185	-	-	31,579,185	-	30,874,556	-	-	30,874,556
Placements with banks		-	-	10,927,216	-	10,927,216	-	-	2,739,514	-	2,739,514
Reverse repurchase agreements		-	-	10,299,569	-	10,299,569	-	-	4,861,922	-	4,861,922
Derivative financial instruments		-	-	-	44,598	44,598	-	-	-	1,399,119	1,399,119
Financial assets - FVPL		-	-	4,822,395	-	4,822,395	-	-	3,907,704	-	3,907,704
Financial assets at amortised cost											
- loans & advances		-	-	839,976,738	-	839,976,738	-	-	795,804,353	-	795,804,353
- debt & other instruments		2,783,782	-	281,453,880	-	284,237,662	4,382,447	-	290,284,761	-	294,667,208
Financial assets - FVOCI		-	-	32,772,986	-	32,772,986	-	-	43,004,201	-	43,004,201
Other assets		-	-	-	22,481,685	22,481,685	-	-	-	11,587,129	11,587,129
Total Financial Assets		2,783,782	31,579,185	1,259,597,371	22,526,283	1,316,486,621	4,382,447	30,874,556	1,163,630,043	12,986,248	1,211,873,294

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51.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Bank has a Board approved treasury policy. Treasury middle office monitors the Bank's compliance with the above policy and ensures that the Bank's market risk limits are in line with the level of risk acceptable to the Board. The Bank employs a range of tools to monitor and limit market risk exposure which are discussed below.

51.4.1 Classification of financial assets and financial liabilities subject to market risk

The following tables separately identify the Bank/Group's financial assets and liabilities which are subject to market risk from the rest of the financial assets and financial liabilities.

Bank - as at 31st December		2022		2021	
		Market risk measurement Subject to market risk Rs 000	Not subject to market risk Rs 000	Market risk measurement Subject to market risk Rs 000	Not subject to market risk Rs 000
		Carrying amount Rs 000		Carrying amount Rs 000	
Financial Assets					
Cash & cash equivalents	-	79,162,545	79,162,545	-	22,882,999
Balances with Central Bank of Sri Lanka	-	31,579,185	31,579,185	-	30,874,556
Placements with banks	-	10,927,216	10,927,216	-	2,739,514
Reverse repurchase agreements	-	10,072,569	10,072,569	-	2,752,011
Derivative financial instruments	44,598	-	44,598	1,399,119	1,399,119
Financial assets recognised through profit or loss - measured at fair value	4,641,277	-	4,641,277	3,907,704	-
Financial assets at amortised cost					
- loans & advances	-	811,157,649	811,157,649	-	762,588,294
- debt & other instruments	-	278,775,796	278,775,796	-	293,766,967
Financial assets - fair value through other comprehensive income	32,772,930	-	32,772,930	43,004,145	-
Other assets	-	21,174,017	21,174,017	-	10,645,606
Total Financial Assets	37,458,805	1,242,848,977	1,280,307,782	48,310,968	1,174,560,915
Financial Liabilities					
Due to banks	-	11,297,181	11,297,181	-	23,653,247
Derivatives financial instruments	1,449,393	-	1,449,393	607,923	-
Securities sold under repurchase agreements	-	2,283,291	2,283,291	-	4,157,662
Financial liabilities at amortised cost					
- due to depositors	-	1,096,099,874	1,096,099,874	-	977,945,952
- due to other borrowers	-	9,173,923	9,173,923	-	14,434,115
- due to debt securities holders	-	25,259,536	25,259,536	-	31,006,592
Dividend payable	-	187,141	187,141	-	148,032
Other liabilities	-	24,725,468	24,725,468	-	14,807,819
Total Financial Liabilities	1,449,393	1,169,026,414	1,170,475,807	607,923	1,066,153,419
					1,066,761,342

Group - as at 31st December

	2022			2021		
	Market risk measurement Subject to market risk Rs 000	Not subject to market risk Rs 000	Carrying amount Rs 000	Market risk measurement Subject to market risk Rs 000	Not subject to market risk Rs 000	Carrying amount Rs 000
Financial Assets						
Cash & cash equivalents	-	79,344,587	79,344,587	-	23,027,588	23,027,588
Balances with Central Bank of Sri Lanka	-	31,579,185	31,579,185	-	30,874,556	30,874,556
Placements with banks	-	10,927,216	10,927,216	-	2,739,514	2,739,514
Reverse repurchase agreements	-	10,299,569	10,299,569	-	4,861,922	4,861,922
Derivative financial instruments	44,598	-	44,598	1,399,119	-	1,399,119
Financial assets recognised through profit or loss - measured at fair value	4,822,395	-	4,822,395	3,907,704	-	3,907,704
Financial assets at amortised cost						
- loans & advances	-	839,976,738	839,976,738	-	795,804,353	795,804,353
- debt & other instruments	-	284,237,662	284,237,662	-	294,667,208	294,667,208
Financial assets - fair value through other comprehensive income	32,772,986	-	32,772,986	43,004,201	-	43,004,201
Other assets	-	22,481,685	22,481,685	-	11,587,129	11,587,129
Total Financial Assets	37,639,979	1,278,846,642	1,316,486,621	48,311,024	1,163,562,270	1,211,873,294
Financial Liabilities						
Due to banks	-	15,255,184	15,255,184	-	31,532,293	31,532,293
Derivatives financial instruments	1,449,393	-	1,449,393	607,923	-	607,923
Securities sold under repurchase agreements	-	2,283,291	2,283,291	-	4,157,662	4,157,662
Financial liabilities at amortised cost						
- due to depositors	-	1,115,155,879	1,115,155,879	-	994,317,574	994,317,574
- due to other borrowers	-	9,173,923	9,173,923	-	14,434,115	14,434,115
- due to debt securities holders	-	32,872,261	32,872,261	-	37,274,207	37,274,207
Dividend payable	-	187,141	187,141	-	148,032	148,032
Other liabilities	-	25,350,978	25,350,978	-	15,628,436	15,628,436
Total Financial Liabilities	1,449,393	1,200,278,657	1,201,728,050	607,923	1,097,492,319	1,098,100,242

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51.4.2 Interest Rate Risk

The interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to **changes in market interest rates. The Bank manages the interest rate risk against interest rate gap limits, which is supplemented by** monitoring the sensitivity of the Bank's financial assets and liabilities to various rate scenarios.

Interest Rate Sensitivity Analysis

The tables below analyse the Bank/Group's interest rate risk exposure on financial assets and liabilities based on the interest rate re-pricing gaps. The financial assets and liabilities are included at their carrying amount and categorised by the earlier of the contractual re-pricing date or the maturity date.

(a) Bank - as at 31st December 2022

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
Financial Assets							
Cash & cash equivalents	1,907,621	-	-	-	-	77,254,924	79,162,545
Balances with Central Bank of Sri Lanka	-	-	-	-	-	31,579,185	31,579,185
Placements with banks	10,927,216	-	-	-	-	-	10,927,216
Reverse repurchase agreements	10,072,569	-	-	-	-	-	10,072,569
Derivative financial instruments	-	-	-	-	-	44,598	44,598
Financial assets recognised through profit or loss - measured at fair value	4,641,277	-	-	-	-	-	4,641,277
Financial assets at amortised cost							
- loans & advances	448,861,586	201,330,528	43,724,719	32,383,706	84,780,130	76,980	811,157,649
- debt & other instruments	38,757,913	81,935,497	93,680,312	43,596,626	20,805,448	-	278,775,796
Financial assets - fair value through other comprehensive income	3,504,812	1,976,188	19,927,894	-	2,632,049	4,731,987	32,772,930
Other assets	-	-	-	-	-	21,174,017	21,174,017
Total Financial Assets	518,672,994	285,242,213	157,332,925	75,980,332	108,217,627	134,861,691	1,280,307,782
Financial Liabilities							
Due to banks	7,152,327	3,907,118	-	-	-	237,736	11,297,181
Derivative financial instruments	-	-	-	-	-	1,449,393	1,449,393
Securities sold under repurchase agreements	821,530	1,461,761	-	-	-	-	2,283,291
Financial liabilities at amortised cost							
- due to depositors	540,908,496	440,224,667	36,567,341	10,519,979	-	67,879,391	1,096,099,874
- due to other borrowers	1,047,236	2,424,579	1,627,969	903,925	3,170,214	-	9,173,923
- due to debt securities holders	8,582,941	3,676,595	7,000,000	-	6,000,000	-	25,259,536
Dividend payable	-	-	-	-	-	187,141	187,141
Other liabilities	-	-	-	-	-	24,725,468	24,725,468
Total Financial Liabilities	558,512,530	451,694,720	45,195,310	11,423,904	9,170,214	94,479,129	1,170,475,807
Interest Rate Sensitivity Gap	(39,839,536)	(166,452,507)	112,137,615	64,556,428	99,047,413	40,382,562	109,831,975

Sri Lanka International Sovereign Bonds (SLISBs) that were matured but unsettled during the year have been classified as "Over 5 years", pending finalisation of the debt restructuring arrangement with the government. However, SLISBs amounting USD 80.7 Mn where the capital repayment falling after 31st December 2022, have been classified to respective maturity buckets, based on the contractual due date of the capital repayment.

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(b) Bank - as at 31st December 2021

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
Financial Assets							
Cash & cash equivalents	500,418	-	-	-	-	22,382,581	22,882,999
Balances with Central Bank of Sri Lanka	-	-	-	-	-	30,874,556	30,874,556
Placements with banks	2,739,514	-	-	-	-	-	2,739,514
Reverse repurchase agreements	2,752,011	-	-	-	-	-	2,752,011
Derivative financial instruments	-	-	-	-	-	1,399,119	1,399,119
Financial assets recognised through profit or loss - measured at fair value	3,858,578	-	-	-	-	49,126	3,907,704
Financial assets at amortised cost							
- loans & advances	425,112,140	237,898,084	35,492,335	18,491,633	45,572,844	21,258	762,588,294
- debt & other instruments	92,599,406	59,464,553	72,426,323	47,122,582	22,154,103	-	293,766,967
Financial assets - fair value through other comprehensive income	4,776,171	5,031,906	28,192,064	-	493,092	4,510,912	43,004,145
Other assets	-	-	-	-	-	10,645,606	10,645,606
Total Financial Assets	532,338,238	302,394,543	136,110,722	65,614,215	68,220,039	69,883,158	1,174,560,915
Financial Liabilities							
Due to banks	22,637,684	428,647	-	-	-	586,916	23,653,247
Derivative financial instruments	-	-	-	-	-	607,923	607,923
Securities sold under repurchase agreements	4,047,295	110,367	-	-	-	-	4,157,662
Financial liabilities at amortised cost							
- due to depositors	548,578,184	321,787,833	33,298,718	3,979,477	-	70,301,740	977,945,952
- due to other borrowers	336,972	6,435,278	3,864,947	983,779	2,813,139	-	14,434,115
- due to debt securities holders	1,082,941	6,413,178	17,510,473	-	6,000,000	-	31,006,592
Dividend payable	-	-	-	-	-	148,032	148,032
Other liabilities	-	-	-	-	-	14,807,819	14,807,819
Total Financial Liabilities	576,683,076	335,175,303	54,674,138	4,963,256	8,813,139	86,452,430	1,066,761,342
Interest Rate Sensitivity Gap	(44,344,838)	(32,780,760)	81,436,584	60,650,959	59,406,900	(16,569,272)	107,799,573

(c) Group - as at 31st December 2022

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
Financial Assets							
Cash & cash equivalents	1,907,621	-	-	-	-	77,436,966	79,344,587
Balances with Central Bank of Sri Lanka	-	-	-	-	-	31,579,185	31,579,185
Placements with banks	10,927,216	-	-	-	-	-	10,927,216
Reverse repurchase agreements	10,299,569	-	-	-	-	-	10,299,569
Derivative financial instruments	-	-	-	-	-	44,598	44,598
Financial assets recognised through profit or loss - measured at fair value	4,822,395	-	-	-	-	-	4,822,395
Financial assets at amortised cost							
- loans & advances	455,550,459	209,628,623	54,337,353	35,437,544	84,619,915	402,844	839,976,738
- debt & other instruments	41,525,642	84,629,634	93,680,312	43,596,626	20,805,448	-	284,237,662
Financial assets - fair value through other comprehensive income	3,504,812	1,976,188	19,927,894	-	2,632,049	4,732,043	32,772,986
Other assets	-	-	-	-	-	22,481,685	22,481,685
Total Financial Assets	528,537,714	296,234,445	167,945,559	79,034,170	108,057,412	136,677,321	1,316,486,621
Financial Liabilities							
Due to banks	10,743,666	3,982,119	200,004	91,659	-	237,736	15,255,184
Derivative financial instruments	-	-	-	-	-	1,449,393	1,449,393
Securities sold under repurchase agreements	821,530	1,461,761	-	-	-	-	2,283,291
Financial liabilities at amortised cost							
- due to depositors	543,043,314	453,496,994	38,267,618	12,490,779	2,918	67,854,256	1,115,155,879
- due to other borrowers	1,047,236	2,424,579	1,627,969	903,925	3,170,214	-	9,173,923
- due to debt securities holders	8,847,493	7,535,517	8,989,251	1,500,000	6,000,000	-	32,872,261
Dividend payable	-	-	-	-	-	187,141	187,141
Other liabilities	-	-	-	-	-	25,350,978	25,350,978
Total Financial Liabilities	564,503,239	468,900,970	49,084,842	14,986,363	9,173,132	95,079,504	1,201,728,050
Interest Rate Sensitivity Gap	(35,965,525)	(172,666,525)	118,860,717	64,047,807	98,884,280	41,597,817	114,758,571

Sri Lanka International Sovereign Bonds (SLISBs) that were matured but unsettled during the year have been classified as "Over 5 years", pending finalisation of the debt restructuring arrangement with the government. However, SLISBs amounting USD 80.7 Mn where the capital repayment falling after 31st December 2022, have been classified to respective maturity buckets, based on the contractual due date of the capital repayment.

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT CONTD.

(d) Group - as at 31st December 2021

	Up to 3 Months Rs 000	3 - 12 Months Rs 000	1 - 3 Years Rs 000	3 - 5 Years Rs 000	Over 5 Years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
Financial Assets							
Cash & cash equivalents	500,418	-	-	-	-	22,527,170	23,027,588
Balances with Central Bank of Sri Lanka	-	-	-	-	-	30,874,556	30,874,556
Placements with banks	2,739,514	-	-	-	-	-	2,739,514
Reverse repurchase agreements	3,391,294	1,470,628	-	-	-	-	4,861,922
Derivative financial instruments	-	-	-	-	-	1,399,119	1,399,119
Financial assets recognised through profit or loss - measured at fair value	3,858,578	-	-	-	-	49,126	3,907,704
Financial assets at amortised cost							
- loans & advances	431,914,599	246,616,926	48,169,672	23,340,214	45,445,118	317,824	795,804,353
- debt & other instruments	92,599,406	60,364,794	72,426,323	47,122,582	22,154,103	-	294,667,208
Financial assets - fair value through other comprehensive income	4,776,171	5,031,906	28,192,064	-	493,092	4,510,968	43,004,201
Other assets	-	-	-	-	-	11,587,129	11,587,129
Total Financial Assets	539,779,980	313,484,254	148,788,059	70,462,796	68,092,313	71,265,892	1,211,873,294
Financial Liabilities							
Due to banks	30,050,063	503,647	200,000	191,667	-	586,916	31,532,293
Derivative financial instruments	-	-	-	-	-	607,923	607,923
Securities sold under repurchase agreements	4,047,295	110,367	-	-	-	-	4,157,662
Financial liabilities at amortised cost							
- due to depositors	553,564,770	331,296,689	34,819,868	4,434,272	1,925	70,200,050	994,317,574
- due to other borrowers	336,972	6,435,278	3,864,947	983,779	2,813,139	-	14,434,115
- due to debt securities holders	1,082,941	7,680,793	21,010,473	1,500,000	6,000,000	-	37,274,207
Dividend payable	-	-	-	-	-	148,032	148,032
Other liabilities	-	-	-	-	-	15,628,436	15,628,436
Total Financial Liabilities	589,082,041	346,026,774	59,895,288	7,109,718	8,815,064	87,171,357	1,098,100,242
Interest Rate Sensitivity Gap	(49,302,061)	(32,542,520)	88,892,771	63,353,078	59,277,249	(15,905,465)	113,773,052

51.4.3 Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk free rates (RFRs). As at 31st December 2022, the Bank's IBOR exposure is indexed to USD LIBOR with one month, three month and six month settings. These indexes will either cease to be provided or no longer be representative after 30th June 2023. The alternate reference rate for USD LIBOR would be SOFR (Secured Overnight Financing Rate).

The following table reflects the Bank's IBOR exposure to non-derivative financial assets and financial liabilities as at 31st December 2022, subject to reform, that has yet to be transited to alternative benchmark rates. These exposures could remain outstanding until LIBOR ceases, as their contractual maturity falls after 30th June 2023.

As at 31st December 2022	Capital Outstanding Rs 000
Non derivative financial assets	61,686,894
Non derivative financial liabilities	685,313

Apart from the above, the Bank does not have any other derivative or hedging instruments that are indexed to IBORs that are subject to reform.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR and revision of operational controls related to the reform etc. Financial risk is predominantly limited to the interest rate risk.

The ALCO is primarily responsible to manage the Bank's transition to alternative RFRs. ALCO will evaluate whether the contracts that are indexed to IBORs need to be amended as a result of the reform and how to manage communication about IBOR reform with counterparties.

SOFR is an overnight rate, unlike IBORs which are available to cover different term structures. The process for converting the overnight SOFR rate to cover different term structures is currently being evaluated at the ALCO level. Once a decision is made, the Bank will move to the new benchmark reference rate and the pricing for all new contracts will be quoted based on the new rates.

The respective business divisions are supposed to report to the ALCO on a quarterly basis of the balance contracts yet to be transited to alternative RFRs.

51.4.4 Currency Risk

Currency risk arises as a result of fluctuations in foreign exchange rates. In order to manage the currency risk, there are Board approved limits for net open position (NOP) for each major currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

NOTES TO THE FINANCIAL STATEMENTS

51 RISK MANAGEMENT CONTD.

51.4.4(a) Net Open Position by Currency

The following table shows the net open position of the Bank for each of the major currencies as at 31st December 2022 and 31st December 2021.

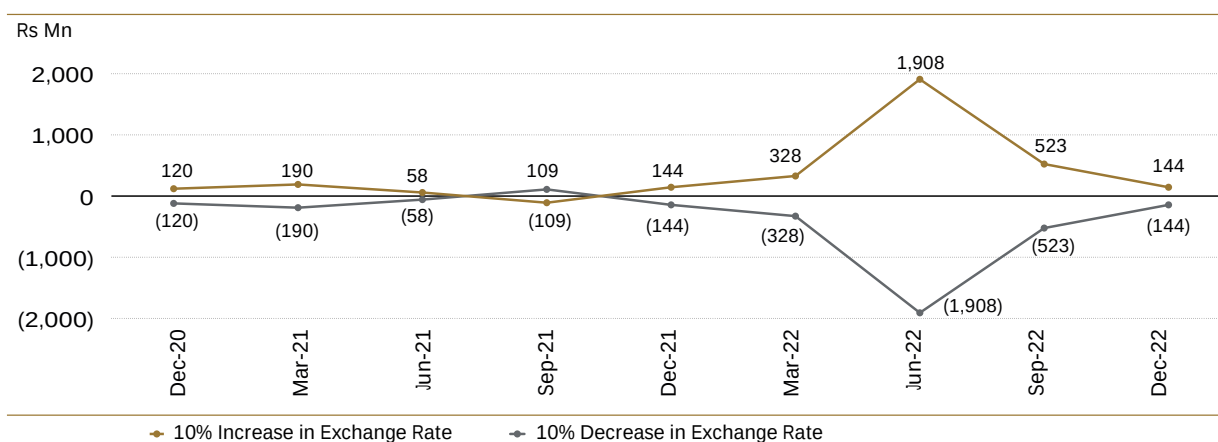
As at 31st December	2022		2021	
	Net Overall Long Rs 000	Net Overall Short Rs 000	Net Overall Long Rs 000	Net Overall Short Rs 000
Currency				
USD	-	563,684	1,069,557	-
GBP	204,286	-	20,272	-
EUR	30,121	-	91,090	-
JPY	21,776	-	28,822	-
AUD	137,762	-	4,529	-
CAD	-	10,687	8,987	-
CHF	15,596	-	18,568	-
SGD	19,454	-	7,689	-
AED	876,157	-	15,264	-
HKD	22,650	-	7,407	-
Sub Total	1,327,802	574,371	1,272,185	-
Other Currencies	111,639	-	167,196	-
Grand Total	1,439,441	574,371	1,439,381	-
Higher of Long or Short	1,439,441	-	1,439,381	-

51.4.4(b) Impact on Statement of Profit or Loss due to Exchange Rate Shocks

The following table indicates the gain/(loss) to the Bank, of a reasonably possible change in exchange rates, based on a constant net open position as indicated in Note 51.4.4 (a).

Increase/(decrease) in exchange rate	2022		2021	
	Net Open Position (after Rate Shock) Rs 000	Impact on Statement of Profit or Loss Rs 000	Net Open Position (after Rate Shock) Rs 000	Impact on Statement of Profit or Loss Rs 000
5%	1,511,414	71,972	1,511,350	71,969
10%	1,583,386	143,944	1,583,319	143,938
(5%)	1,367,470	(71,972)	1,367,412	(71,969)
(10%)	1,295,497	(143,944)	1,295,443	(143,938)

51.4.4(c) Impact on Statement of Profit or Loss due to increase/decrease in Exchange Rate by 10%



51.4.5 Equity Price Risk

Equity price risk arises as a result of any volatility in market prices of individual equities. The Bank conducts mark to market calculations on a monthly basis or more frequently on a need basis, to identify the impact on the financial statements due to changes in equity prices.

The table below summarises the impact of a 10% change in individual equity prices on the Statement of Profit or Loss, Other Comprehensive Income and total equity of the Bank/Group as at 31st December 2022 and 31st December 2021.

As at 31st December	2022			2021		
	Statement of Profit or Loss	Other Comprehensive Income	Total Impact to Equity	Statement of Profit or Loss	Other Comprehensive Income	Total Impact to Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Bank						
10% increase	-	467,115	467,115	4,913	445,115	450,028
10% decrease	-	(467,115)	(467,115)	(4,913)	(445,115)	(450,028)
Group						
10% increase	18,119	467,115	485,234	4,913	445,115	450,028
10% decrease	(18,119)	(467,115)	(485,234)	(4,913)	(445,115)	(450,028)

51.5 Operational Risk

Operational risk arises due to inadequate or failed internal processes, people and systems or from external events. Operational risk events which include legal and regulatory implications could lead to financial and reputational losses to the Bank.

The operational risk management framework of the Bank has been defined under the Board approved Operational Risk Management Policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities and through periodic verifications of the operational efficiency and effectiveness of the Bank's overall internal control system.

Operational Risk Management Unit reports to Chief Risk Officer who reports directly to the Board Integrated Risk Management Committee (BIRMC). BIRMC maintains a high-level of overall supervision over managing operational risks of the Bank.

51.6 Capital Management

The Bank's capital management objectives can be summarised as follows:

- Maintain sufficient capital to meet minimum regulatory capital requirements
- Hold sufficient capital to support the Bank's risk appetite
- Provide additional capital to business segments of the Bank to achieve the overall strategic objectives
- Provide a "cushion" or "buffer" in absorbing potential losses arising from various risks and safeguarding the depositors' funds

NOTES TO THE FINANCIAL STATEMENTS

51 RISK MANAGEMENT CONTD.

Regulatory Capital

The Bank manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed commercial banks in Sri Lanka based on the Basel framework. Accordingly the Bank needs to maintain minimum Total Tier I Capital Adequacy Ratio (including capital buffers) of 8.5% and minimum Total Capital Adequacy Ratio of 12.5% as at 31st December 2022.

Considering the extraordinary circumstances caused by the current macro-economic environment, CBSL issued the Directive No. 4 of 2022, which allowed licensed banks to draw down the Capital Conservation Buffer (CCB) up to 2.5%, subject to the minimum earnings retention requirements mentioned in the said Directive. However, the Bank always maintained its Tier I and Total Capital Ratios above the 8.5% and 12.5% level respectively and therefore did not require to draw down the CCB during the year ended 31st December 2022.

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Common Equity Tier I (CET I) Capital after adjustments	95,533,144	104,104,589	102,822,613	111,221,788
Common Equity Tier I (CET I) Capital	120,079,176	112,506,327	125,752,360	118,202,030
Stated capital	47,622,493	47,622,493	47,622,493	47,622,493
Statutory reserve fund	5,755,000	5,075,000	6,033,000	5,315,000
Published retained earnings/(Accumulated retained losses)	8,169,471	8,491,142	13,564,655	13,946,845
Published accumulated other comprehensive income (OCI)	(457,135)	(1,151,213)	(457,135)	(1,151,213)
General and other disclosed reserves	58,989,347	52,468,905	58,989,347	52,468,905
Total adjustments to CET I Capital	24,546,032	8,401,738	22,929,747	6,980,242
Intangible assets (net)	578,031	544,916	600,341	567,681
Deferred tax assets (net)	21,734,244	6,157,958	21,992,147	6,242,982
Defined benefit pension fund assets	337,259	-	337,259	-
Others (Investments in the capital of banking & financial institutions)	1,896,498	1,698,864	-	169,579
Additional Tier I (AT I) Capital after adjustments	-	-	-	-
Additional Tier I (AT I) Capital	-	-	-	-
Tier II Capital after adjustments	18,818,445	22,882,143	19,273,912	23,364,668
Tier II Capital	18,818,445	22,882,143	19,273,912	23,364,668
Qualifying Tier II capital instruments	8,617,903	13,278,665	8,617,903	13,278,665
Revaluation gains	901,539	978,813	901,539	978,813
Stage 1 & 50% of stage 2 impairment provision	9,299,003	8,624,665	9,754,470	9,107,190
Total adjustments to Tier II	-	-	-	-
CET I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Tier I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Capital	114,351,589	126,986,732	122,096,525	134,586,456
Total Risk Weighted Assets (RWA)	801,373,367	746,321,439	844,381,387	791,790,267
RWAs for Credit Risk	743,920,231	689,973,167	780,357,635	728,575,228
RWAs for Operational Risk	55,711,400	47,382,447	61,977,640	54,249,214
RWAs for Market Risk	1,741,736	8,965,825	2,046,112	8,965,825
CET I Capital Ratio (%)	11.92	13.95	12.18	14.05
Total Tier I Capital Ratio (%)	11.92	13.95	12.18	14.05
Total Capital Ratio (%)	14.27	17.02	14.46	17.00

Pillar III - Disclosure Requirements under Basel III

Disclosures under the Pillar III requirements mainly include the regulatory capital requirements and liquidity, risk weighted assets, discussion on meeting current and future capital requirements of banks, linkages between financial statements and regulatory exposures and information on assessment of D-SIBs. It is required to disclose the templates specified by the Central Bank of Sri Lanka as per the Basel III - minimum disclosure requirements with effect from 01st July 2017. Refer Basel III Disclosure Requirements on pages 467 to 476.

52 MATURITY ANALYSIS

(a) Bank

As at 31st December	2022			2021		
	Within 12 Months Rs 000	After 12 Months Rs 000	Total Rs 000	Within 12 Months Rs 000	After 12 Months Rs 000	Total Rs 000
Assets						
Cash & cash equivalents	79,162,545	-	79,162,545	22,882,999	-	22,882,999
Balances with Central Bank of Sri Lanka	28,559,365	3,019,820	31,579,185	28,234,732	2,639,824	30,874,556
Placements with banks	10,927,216	-	10,927,216	2,739,514	-	2,739,514
Reverse repurchase agreements	10,072,569	-	10,072,569	2,752,011	-	2,752,011
Derivative financial instruments	44,598	-	44,598	1,172,719	226,400	1,399,119
Financial assets recognised through profit or loss - measured at fair value	4,641,277	-	4,641,277	3,907,704	-	3,907,704
Financial assets at amortised cost						
- loans & advances	439,719,507	371,438,142	811,157,649	402,318,390	360,269,904	762,588,294
- debt & other instruments	115,540,227	163,235,569	278,775,796	131,291,473	162,475,494	293,766,967
Financial assets - fair value through other comprehensive income	5,481,000	27,291,930	32,772,930	9,808,077	33,196,068	43,004,145
Investment in subsidiaries	-	3,898,512	3,898,512	-	3,503,350	3,503,350
Property, plant & equipment	-	8,910,525	8,910,525	-	7,817,923	7,817,923
Intangible assets	-	578,031	578,031	-	544,916	544,916
Right-of-use assets	1,530,125	2,010,161	3,540,286	1,355,225	1,910,093	3,265,318
Deferred tax assets	-	21,734,244	21,734,244	-	6,157,958	6,157,958
Other assets	23,267,163	3,363,811	26,630,974	11,867,052	2,841,569	14,708,621
Total Assets	718,945,592	605,480,745	1,324,426,337	618,329,896	581,583,499	1,199,913,395
Liabilities						
Due to banks	11,297,181	-	11,297,181	22,283,128	1,370,119	23,653,247
Derivative financial instruments	1,449,393	-	1,449,393	607,923	-	607,923
Securities sold under repurchase agreements	2,283,291	-	2,283,291	4,157,662	-	4,157,662
Financial liabilities at amortised cost						
- due to depositors	1,002,635,429	93,464,445	1,096,099,874	899,596,741	78,349,211	977,945,952
- due to other borrowers	3,437,499	5,736,424	9,173,923	6,715,432	7,718,683	14,434,115
- due to debt securities holders	12,259,536	13,000,000	25,259,536	7,496,119	23,510,473	31,006,592
Retirement benefit obligation	-	1,845,228	1,845,228	-	2,573,127	2,573,127
Dividend payable	187,141	-	187,141	148,032	-	148,032
Current tax liabilities	18,754,155	-	18,754,155	7,524,844	-	7,524,844
Other liabilities	29,150,687	2,545,983	31,696,670	16,777,439	2,332,803	19,110,242
Total Liabilities	1,081,454,312	116,592,080	1,198,046,392	965,307,320	115,854,416	1,081,161,736
Maturity Gap	(362,508,720)	488,888,665	126,379,945	(346,977,424)	465,729,083	118,751,659
Cumulative Gap	(362,508,720)	126,379,945		(346,977,424)	118,751,659	

Sri Lanka International Sovereign Bonds (SLISBs) that were matured but unsettled during the year have been classified as "Over 5 years", pending finalisation of the debt restructuring arrangement with the government. However, SLISBs amounting USD 80.7 Mn where the capital repayment falling after 31st December 2022, have been classified to respective maturity buckets, based on the contractual due date of the capital repayment.

NOTES TO THE FINANCIAL STATEMENTS

52 MATURITY ANALYSIS CONTD.

(b) Group

As at 31st December	2022			2021		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash & cash equivalents	79,344,587	-	79,344,587	23,027,588	-	23,027,588
Balances with Central Bank of Sri Lanka	28,559,365	3,019,820	31,579,185	28,234,732	2,639,824	30,874,556
Placements with banks	10,927,216	-	10,927,216	2,739,514	-	2,739,514
Reverse repurchase agreements	10,299,569	-	10,299,569	4,861,922	-	4,861,922
Derivative financial instruments	44,598	-	44,598	1,172,719	226,400	1,399,119
Financial assets recognised through profit or loss - measured at fair value	4,822,395	-	4,822,395	3,907,704	-	3,907,704
Financial assets at amortised cost						
- loans & advances	457,045,305	382,931,433	839,976,738	419,715,661	376,088,692	795,804,353
- debt & other instruments	121,002,093	163,235,569	284,237,662	132,191,714	162,475,494	294,667,208
Financial assets - fair value through other comprehensive income	5,481,000	27,291,986	32,772,986	9,808,077	33,196,124	43,004,201
Property, plant & equipment	-	19,067,412	19,067,412	-	16,337,516	16,337,516
Intangible assets	-	600,341	600,341	-	567,681	567,681
Right-of-use assets	1,587,488	1,678,282	3,265,770	1,288,591	1,743,199	3,031,790
Current tax receivables	-	-	-	4,177	-	4,177
Deferred tax assets	-	21,992,147	21,992,147	-	6,242,982	6,242,982
Other assets	24,966,423	3,422,533	28,388,956	12,160,894	4,001,445	16,162,339
Total Assets	744,080,039	623,239,523	1,367,319,562	639,113,293	603,519,357	1,242,632,650
Liabilities						
Due to banks	15,255,184	-	15,255,184	26,287,006	5,245,287	31,532,293
Derivative financial instruments	1,449,393	-	1,449,393	607,923	-	607,923
Securities sold under repurchase agreements	2,283,291	-	2,283,291	4,157,662	-	4,157,662
Financial liabilities at amortised cost						
- due to depositors	1,018,017,441	97,138,438	1,115,155,879	913,990,493	80,327,081	994,317,574
- due to other borrowers	3,437,499	5,736,424	9,173,923	6,715,432	7,718,683	14,434,115
- due to debt securities holders	16,383,011	16,489,250	32,872,261	8,763,734	28,510,473	37,274,207
Retirement benefit obligation	-	1,998,238	1,998,238	-	2,706,462	2,706,462
Dividend payable	187,141	-	187,141	148,032	-	148,032
Current tax liabilities	19,186,239	-	19,186,239	8,375,511	-	8,375,511
Deferred tax liabilities	-	1,465,662	1,465,662	-	979,815	979,815
Other liabilities	29,941,090	2,800,194	32,741,284	18,319,120	2,594,418	20,913,538
Total Liabilities	1,106,140,289	125,628,206	1,231,768,495	987,364,913	128,082,219	1,115,447,132
Maturity Gap	(362,060,250)	497,611,317	135,551,067	(348,251,620)	475,437,138	127,185,518
Cumulative Gap	(362,060,250)	135,551,067	-	(348,251,620)	127,185,518	-

Sri Lanka International Sovereign Bonds (SLISBs) that were matured but unsettled during the year have been classified as "Over 5 years", pending finalisation of the debt restructuring arrangement with the government. However, SLISBs amounting USD 80.7 Mn where the capital repayment falling after 31st December 2022, have been classified to respective maturity buckets, based on the contractual due date of the capital repayment.

53 REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires Licensed Banks/Primary Dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills.

53.1 Carrying Value of Securities Allocated for Repurchase Transactions

As at 31st December	Note	2022		2021	
		Amortised Cost Rs 000	Fair Value Rs 000	Amortised Cost Rs 000	Fair Value Rs 000
Financial assets at amortised cost - debt & other instruments	26.5				
Bank & Group		2,783,782	2,708,043	4,382,447	4,344,738

53.2 Market Value of Securities Received for Reverse Repurchase Transactions

Securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within "reverse repurchase agreements".

As at 31st December	2022		2021	
	Amortised Cost Rs 000	Fair Value of Securities Received Rs 000	Amortised Cost Rs 000	Fair Value of Securities Received Rs 000
Reverse repurchase agreements				
Bank	10,072,569	11,767,952	2,752,011	3,042,550
Group	10,299,569	12,023,369	4,861,922	5,137,975

53.3 Bank's Policy on Haircuts for Repurchase and Reverse Repurchase Transactions

According to the Bank's internal policies, minimum haircut applicable for each maturity bucket as at 31st December 2022 is given below. The haircuts applied meet the minimum haircut requirements imposed by the Directive No. 1 of 2019.

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)	
	Repurchase Transactions	Reverse Repurchase Transactions
Up to 1 year	5.00	4.00
More than 1 year and up to 3 years	6.00	6.00
More than 3 years and up to 5 years	8.00	8.00
More than 5 years and up to 8 years	10.00	10.00
More than 8 years	12.00	12.00

53.4 Penalties Imposed on the Bank/Group for Non-Compliance

No penalties have been imposed on the Group for non compliance with Directive No. 1 of 2019 during the year ended 31st December 2022.

An abstract line drawing on a solid olive-green background. The drawing depicts a trapeze artist in mid-air, with a complex web of thin black lines representing the ropes and the artist's limbs. A thick black horizontal bar, representing the trapeze, is positioned in the lower right. The lines are fluid and dynamic, capturing a sense of movement and balance. The overall style is minimalist and graphic.

Once a routine is perfected, trapeze artists often move on to the next challenge; seeking to elevate and surpass their performance year-on-year, and face the future with confidence.

POISED IN PREPARATION

SUPPLEMENTARY INFORMATION

Today, we are ready to face the next chapter in our journey – mapping out the next series of motion that will take us to new levels of performance, while collaborating with our partners to ensure they grow alongside us.

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STATEMENT OF PROFIT OR LOSS IN US\$

For the year ended 31st December	Bank		Group	
	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000
Gross income	540,548	520,899	563,617	563,263
Interest income	431,243	428,329	450,823	460,413
Less: Interest expense	230,143	220,761	242,773	233,672
Net interest income	201,100	207,568	208,050	226,741
Fee & commission income	60,029	65,951	62,067	70,919
Less: Fee & commission expense	6,838	8,792	6,842	8,797
Net fee & commission income	53,191	57,159	55,225	62,122
Net (loss)/gain from trading	(6,151)	1,989	(6,201)	1,989
Net gain on derecognition of financial assets	1,482	749	1,530	749
Net other operating income	53,945	23,881	55,398	29,193
Total operating income	303,567	291,346	314,002	320,794
Less: Impairment charge	171,562	85,105	172,115	92,449
Net operating income	132,005	206,241	141,887	228,345
Less: Operating expenses				
Personnel expenses	34,189	47,537	37,971	54,377
Depreciation & amortisation expenses	6,963	12,226	6,557	12,410
Other operating expenses	35,587	43,192	37,245	46,385
Total operating expenses	76,739	102,955	81,773	113,172
Operating profit before taxes on financial services	55,266	103,286	60,114	115,173
Less: Value added tax on financial services	13,554	19,431	14,611	21,399
Social security contribution levy	608	-	647	-
Total taxes on financial services	14,162	19,431	15,258	21,399
Profit before income tax	41,104	83,855	44,856	93,774
Less: Income tax expense	5,171	21,800	6,386	24,751
Profit for the year	35,933	62,055	38,470	69,023
Attributable to:				
Equity holders of the Bank	35,933	62,055	38,470	69,023
Non-controlling interest			-	-
	35,933	62,055	38,470	69,023
Earnings per share: Basic/Diluted (US\$)	0.03	0.05	0.03	0.06
Dividend per share				
Dividend per share: Gross (US\$)	0.013*	0.021		
Dividend per share: Net (US\$)	0.011*	0.021		

Exchange rate of US\$ was Rs 365.50 as at 31st December 2022 (Rs 200.75 as at 31st December 2021).

* Based on proposed dividend which is to be approved at the Annual General Meeting.

STATEMENT OF COMPREHENSIVE INCOME IN US\$

For the year ended 31st December	Bank		Group	
	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000
Profit for the year	35,933	62,055	38,470	69,023
Other comprehensive income				
Items that will be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income:				
Loss arising on re-measurement	(12,251)	(6,880)	(12,251)	(6,880)
Reclassification to profit or loss due to derecognition	37	(151)	37	(151)
Changes in impairment for expected credit losses	1,473	171	1,473	171
Reclassification of treasury bonds at FVOCI to amortised cost	13,099	-	13,099	-
Deferred tax effect including the effect of rate change on the opening balance	(459)	1,619	(459)	1,619
Net other comprehensive income to be reclassified to profit or loss	1,899	(5,241)	1,899	(5,241)
Items that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income:				
(Loss)/gain arising on re-measurement	(8,793)	3,341	(8,793)	3,341
Exchange difference in translation	9,395	1,445	9,395	1,445
Deferred tax effect including the effect of rate change on the opening balance	(777)	(603)	(777)	(603)
	(175)	4,183	(175)	4,183
Actuarial gain on defined benefit plans	3,136	13,969	3,166	14,001
Deferred tax effect including the effect of rate change on the opening balance	(557)	(4,378)	(563)	(4,390)
	2,579	9,591	2,603	9,611
Revaluation surplus on property, plant & equipment	2,676	-	5,074	-
Deferred tax effect including the effect of rate change on the opening balance	(1,485)	828	(2,887)	1,650
	1,191	828	2,187	1,650
Net other comprehensive income not to be reclassified to profit or loss	3,595	14,602	4,615	15,444
Other comprehensive income net of tax	5,494	9,361	6,514	10,203
Total comprehensive income for the year net of tax	41,427	71,416	44,984	79,226
Attributable to:				
Equity holders of the Bank	41,427	71,416	44,984	79,226
Non-controlling interest			-	-
	41,427	71,416	44,984	79,226

Exchange rate of US\$ was Rs 365.50 as at 31st December 2022 (Rs 200.75 as at 31st December 2021).

STATEMENT OF FINANCIAL POSITION IN US\$

As at 31st December	Bank		Group	
	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000
ASSETS				
Cash & cash equivalents	216,587	113,988	217,085	114,708
Balances with Central Bank of Sri Lanka	86,400	153,796	86,400	153,796
Placements with banks	29,897	13,646	29,897	13,646
Reverse repurchase agreements	27,558	13,709	28,179	24,219
Derivative financial instruments	122	6,969	122	6,969
Financial assets recognised through profit or loss - measured at fair value	12,698	19,466	13,194	19,466
Financial assets at amortised cost				
- loans & advances	2,219,310	3,798,696	2,298,158	3,964,156
- debt & other instruments	762,724	1,463,347	777,668	1,467,832
Financial assets - fair value through other comprehensive income	89,666	214,217	89,666	214,218
Investment in subsidiaries	10,666	17,451	-	-
Property, plant & equipment	24,379	38,944	52,168	81,382
Intangible assets	1,581	2,714	1,643	2,828
Right-of-use assets	9,686	16,266	8,935	15,102
Current tax receivables	-	-	-	21
Deferred tax assets	59,464	30,675	60,170	31,098
Other assets	72,865	73,269	77,672	80,510
Total Assets	3,623,603	5,977,153	3,740,957	6,189,951
LIABILITIES				
Due to banks	30,909	117,824	41,738	157,072
Derivative financial instruments	3,966	3,028	3,966	3,028
Securities sold under repurchase agreements	6,247	20,711	6,247	20,711
Financial liabilities at amortised cost				
- due to depositors	2,998,905	4,871,462	3,051,042	4,953,014
- due to other borrowers	25,100	71,901	25,100	71,901
- due to debt securities holders	69,110	154,454	89,938	185,675
Retirement benefit obligation	5,049	12,818	5,467	13,482
Dividend payable	512	737	512	737
Current tax liabilities	51,311	37,484	52,493	41,721
Deferred tax liabilities	-	-	4,010	4,881
Other liabilities	86,721	95,194	89,579	104,177
Total Liabilities	3,277,830	5,385,613	3,370,092	5,556,399
EQUITY				
Stated capital	130,294	237,223	130,294	237,223
Reserves				
Statutory reserve fund	15,746	25,280	16,506	26,476
Other reserves	177,382	285,168	186,952	300,778
Retained earnings	22,351	43,869	37,113	69,075
Total equity attributable to equity holders of the Bank	345,773	591,540	370,865	633,552
Non-controlling interest	-	-	-	-
Total Equity	345,773	591,540	370,865	633,552
Total Liabilities & Equity	3,623,603	5,977,153	3,740,957	6,189,951
Commitments & contingencies	862,827	1,953,074	860,443	1,941,941
Net asset value per share (US\$)	0.30	0.52	0.32	0.55

Exchange rate of US\$ was Rs 365.50 as at 31st December 2022 (Rs 200.75 as at 31st December 2021).

TEN YEARS AT A GLANCE

For the year ended/As at 31st December	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Results (Rs Mn)										
Gross income	47,509	44,597	47,032	67,585	92,590	115,310	118,855	102,339	104,570	197,571
Interest income	41,892	38,059	37,944	56,529	79,625	97,934	103,567	88,628	85,987	157,619
Interest expenses	26,556	22,335	20,542	33,776	51,261	59,880	61,992	54,805	44,318	84,117
Net interest income	15,336	15,724	17,402	22,754	28,363	38,054	41,575	33,823	41,669	73,502
Exchange income	520	1,283	2,466	2,589	3,132	5,491	2,793	2,792	4,849	16,261
Other income	4,901	4,387	5,421	7,002	8,484	10,198	10,809	9,598	11,969	21,191
Total operating income	20,757	21,394	25,288	32,344	39,979	53,743	55,177	46,213	58,488	110,954
Impairment charge	4,736	1,401	944	1,460	2,376	11,223	12,573	11,783	17,085	62,706
Operating expenses	10,634	11,729	13,339	15,471	16,918	19,307	20,366	20,095	20,668	28,048
Taxes on financial services	895	1,537	1,904	2,814	4,079	4,863	6,740	3,163	3,901	5,176
Profit before income tax	4,491	6,727	9,101	12,600	16,606	18,350	15,498	11,172	16,834	15,024
Income tax expense	1,061	1,813	2,967	3,475	4,502	6,207	4,347	3,147	4,376	1,890
Profit for the year	3,430	4,914	6,134	9,125	12,104	12,143	11,151	8,025	12,457	13,134
Assets (Rs Mn)										
Cash and cash equivalents including placements	10,094	13,348	18,781	25,814	25,494	27,799	25,040	32,282	25,623	90,090
Net loans and advances	260,040	302,370	377,348	458,831	562,884	650,014	689,378	720,215	762,588	811,158
Other interest earning assets	81,599	85,828	95,025	124,127	145,371	174,300	182,772	309,468	338,871	321,531
Investment in subsidiaries	1,060	1,060	1,080	1,228	1,356	2,320	2,395	3,351	3,503	3,899
Property, plant and equipment	5,135	5,142	5,313	5,972	7,270	7,918	8,466	8,126	7,818	8,911
Other assets	24,114	24,278	27,730	42,540	52,727	51,874	54,299	36,829	61,510	88,837
Total assets	382,042	432,026	525,277	658,512	795,102	914,225	962,350	1,110,271	1,199,913	1,324,426
Liabilities (Rs Mn)										
Deposits from banks and customers	302,429	341,946	409,411	516,273	630,442	698,085	718,301	886,873	978,368	1,103,213
Debt securities holders, borrowings from banks and others	39,194	36,846	57,347	72,446	76,215	91,143	93,765	80,217	68,671	38,618
Other liabilities	12,000	22,322	23,394	25,304	24,795	40,608	45,279	35,632	34,123	56,215
Total liabilities	353,623	401,114	490,152	614,023	731,452	829,836	857,345	1,002,722	1,081,162	1,198,046
Shareholders' Fund (Rs Mn)										
Stated capital	4,460	4,470	5,381	6,471	16,308	32,796	47,622	47,622	47,622	47,622
Reserves	23,958	26,442	29,744	38,018	47,342	51,593	57,384	59,927	71,130	78,758
Total equity	28,418	30,912	35,125	44,489	63,650	84,389	105,006	107,549	118,752	126,380
Total liabilities and equity	382,042	432,026	525,277	658,512	795,102	914,225	962,350	1,110,271	1,199,913	1,324,426
Investor Information										
Dividend paid/proposed (Rs Mn)	1,343	1,847	2,240	3,362	4,598	4,565	4,482	3,147	4,864	5,264
Dividend per share (Rs)	8.00	11.00	13.00	18.75	17.20	16.25	3.92 ^[A]	2.75 ^[A]	4.25	4.60
Cash dividend per share (Rs)	8.00	5.00	6.00	4.75	nil	5.00	3.92 ^[A]	2.75 ^[A]	4.25	3.45
Dividend cover (times)	2.55	2.66	2.74	2.71	2.63	2.66	2.49	2.55	2.56	2.50
Dividend yield (%)	4.65	4.66	5.24	7.20	5.45	6.91	7.24	6.08	8.16	13.45
Earnings per share - Basic/Diluted (Rs) ^[B]	3.47	4.97	6.21	9.23	12.21	11.63	10.11	7.01	10.89	11.48
Earnings yield (%)	11.90	12.07	13.98	18.18	17.76	18.37	20.22	15.51	20.90	33.57
Price earning ratio (times)	8.41	8.28	7.16	5.50	5.63	5.44	4.95	6.45	4.78	2.98
Price to book value (times)	1.01	1.32	1.25	1.09	1.08	0.78	0.59	0.48	0.50	0.31
Net asset value per share (Rs)	169.37	179.39	198.47	238.94	293.02	300.42	91.76 ^[A]	93.98 ^[A]	103.77	110.44
Market price per share (Rs) - High	242.00	252.00	279.90	268.70	352.20	335.50	245.00	170.00	250.00 ^[C]	56.50
Market price per share (Rs) - Low	161.60	164.20	235.20	210.00	253.50	218.00	136.00	96.00	48.00	26.00
Market price as at 31st December (Rs)	171.90	236.30	248.00	260.40	315.70	235.00	162.40	135.60	52.10	34.20
Ratios										
Growth in income (%)	22.5	(6.1)	5.5	43.7	37.0	24.5	3.1	(13.9)	2.2	88.9

TEN YEARS AT A GLANCE

For the year ended/As at 31st December	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Growth in profit (%)	(34.4)	43.3	24.8	48.8	32.7	0.3	(8.2)	(28.0)	55.2	5.4
Growth in total assets (%)	23.5	13.1	21.6	25.4	20.7	15.0	5.3	15.4	8.1	10.4
Growth in net loans and advances (%)	24.4	16.3	24.8	21.6	22.7	15.5	6.1	4.5	5.9	6.4
Growth in deposits (%)	24.2	13.1	19.7	26.1	22.1	10.7	2.9	23.5	10.3	12.8
Cost to income ratio with taxes on financial services (%)	55.5	62.0	60.3	56.5	52.5	45.0	49.1	50.3	42.0	29.9
Cost to income ratio without taxes on financial services (%)	51.2	54.8	52.7	47.8	42.3	35.9	36.9	43.5	35.3	25.3
Return on average assets (before tax) (%)	1.29	1.69	1.90	2.14	2.29	2.13	1.66	1.09	1.44	1.16
Return on average assets (after tax) (%)	0.98	1.23	1.28	1.55	1.67	1.41	1.20	0.78	1.07	1.01
Return on average equity (after tax) (%)	12.88	16.35	18.42	23.47	23.35	16.02	11.78	7.58	11.05	10.95
Property, plant & equipment to shareholders' fund (%)	18.1	16.6	15.1	13.4	11.4	9.4	8.1	7.6	6.6	7.1
Total assets to shareholders' fund (times)	13.4	14.0	15.0	14.8	12.5	10.8	9.2	10.3	10.1	10.5
Total impairment on loans as a % of gross loans & advances	3.70	2.27	1.82	1.67	1.52	3.03	4.20	5.10	6.21	11.84
Cost of risk (%)	n/a	n/a	n/a	n/a	0.44	1.69	1.74	1.36	1.61	5.97
CASA ratio (%)	33.9	45.9	47.3	38.4	34.9	33.4	35.2	39.3	45.7	32.7
Loans to deposits ratio (%)	89.3	90.5	93.9	90.4	90.7	96.0	100.2	85.6	83.1	83.4
Non-performing loan ratio (%) - Gross ^[A]	2.68	1.93	1.64	1.61	1.64	3.69	6.37	6.30	5.09	n/a
Non-performing loan ratio (%) - Net ^[A]	0.59	0.53	0.46	0.62	0.75	2.39	4.53	3.45	1.78	n/a
Stage 3 impairment to Stage 3 loans ratio (%) ^[A]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	40.22	45.45	53.84
Impaired loans (Stage 3) ratio (%) ^[A]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.95	3.20	4.35
Liquid Assets Ratios										
- Overall Bank (%) ^[E]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	27.85
- Domestic Banking Unit (%)	27.2	24.4	21.8	21.2	22.2	21.5	21.5	35.0	32.5	n/a
- Off-Shore Banking Unit (%)	30.4	23.8	27.2	33.4	24.9	25.8	26.9	37.6	30.8	n/a
(As specified in Banking Act No. 30 of 1988 and any subsequent amendments thereto)										
Liquidity Coverage Ratios										
- Rupee (%)	n/a	n/a	102.35	94.15	133.52	125.03	177.29	424.90	254.89	200.78
- All currency (%)	n/a	n/a	106.84	77.69	118.81	125.42	149.17	293.37	213.43	146.53
Net stable funding ratio (%)	n/a	n/a	n/a	n/a	n/a	n/a	126.80	144.00	149.92	157.10
Capital Adequacy Ratios										
	Basel II	Basel II	Basel II	Basel II	Basel III	Basel III	Basel III	Basel III	Basel III	Basel III
- Common equity Tier I (%)	n/a	n/a	n/a	n/a	10.26	12.08	14.22	13.44	13.95	11.92
- Total Tier I (%)	10.08	8.83	7.90	8.31	10.26	12.08	14.22	13.44	13.95	11.92
- Total capital (Tier I + Tier II) (%)	14.22	13.62	12.26	12.87	14.41	15.73	18.12	16.41	17.02	14.27
Leverage ratio (%)	n/a	n/a	n/a	n/a	n/a	n/a	8.12	6.94	7.80	7.00
Other Information										
Exchange rate (USD)	130.75	131.20	144.20	150.00	153.50	182.90	181.35	185.50	200.75	365.50
Number of staff	3,688	4,000	3,993	3,960	4,011	4,189	4,134	4,048	4,013	3,948
Number of branches	212	220	225	229	229	229	229	229	229	229
Number of ATMs, CRMs and CDMs	274	328	410	489	568	750	812	830	829	821
Number of Virtual Teller Machines	nil	nil	nil	nil	nil	01	02	05	05	05

n/a - not applicable

[A] The net asset value per share and the dividend per share of the Bank for the years 2019 and 2020 have been adjusted to reflect the increased number of shares due to the sub-division.

[B] Earnings per share is retrospectively adjusted to reflect the changes in weighted average number of shares.

[C] Highest share price of Rs 250.00 reported prior to the sub-division of shares.

[D] Subsequent to the issuance of the new Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks, CBSL directed banks to publish ratios related to Stage 3 instead of non-performing loan ratios in the Interim Financial Statements, with effect from 3rd quarter 2021.

[E] According to the Banking Act Direction No. 08 of 2022, commencing from December 2022, Licensed Commercial Banks are required to maintain liquid assets on consolidated basis for the overall bank.

QUARTERLY STATISTICS

As at	2022				2021			
	31st December Rs Mn	30th September Rs Mn	30th June Rs Mn	31st March Rs Mn	31st December Rs Mn	30th September Rs Mn	30th June Rs Mn	31st March Rs Mn
Statement of Financial Position								
Total assets	1,324,426	1,312,948	1,321,553	1,293,459	1,199,913	1,183,404	1,171,262	1,151,730
Financial assets at amortised cost - loans & advances	811,158	857,047	857,786	824,277	762,588	759,766	750,394	739,671
Financial liabilities at amortised cost - due to depositors	1,096,100	1,059,211	1,024,427	1,049,349	977,946	957,113	944,008	913,628
Total equity	126,380	119,413	119,889	118,428	118,752	114,232	112,154	108,898
For the quarter ended								
	2022				2021			
	31st December Rs Mn	30th September Rs Mn	30th June Rs Mn	31st March Rs Mn	31st December Rs Mn	30th September Rs Mn	30th June Rs Mn	31st March Rs Mn
Statement of Profit or Loss								
Net interest income	20,243	21,860	17,859	13,541	11,977	10,427	10,052	9,214
Net fee & commission income	6,147	4,701	4,056	4,537	3,634	2,784	2,458	2,599
Net gain/(loss) from trading	768	(475)	(2,161)	(381)	497	(145)	444	(398)
Net gain on derecognition of financial assets	109	248	171	14	34	23	26	68
Net other operating income	1,691	1,983	7,362	8,681	504	930	674	2,685
Total operating income	28,958	28,317	27,287	26,392	16,646	14,019	13,654	14,168
Less: Impairment charge	13,898	20,626	16,427	11,755	7,243	4,846	3,816	1,179
Net operating income	15,060	7,691	10,860	14,637	9,403	9,173	9,838	12,989
Less: Total operating expenses	7,570	6,815	7,194	6,469	4,096	5,579	5,486	5,506
Taxes on financial services	1,781	581	1,100	1,714	795	819	932	1,355
Income tax expense	(224)	179	191	1,744	1,036	858	933	1,550
Profit for the period	5,933	116	2,375	4,710	3,476	1,917	2,487	4,578
Other comprehensive income for the period	1,034	(590)	1,735	(171)	1,044	161	756	(82)
Total comprehensive income for the period	6,967	(474)	4,110	4,539	4,520	2,078	3,243	4,496

QUARTERLY STATISTICS

For the quarter ended	2022				2021			
	31st December	30th September	30th June	31st March	31st December	30th September	30th June	31st March
Market price per share (Rs)								
Highest	42.00	44.50	45.00	56.50	59.30	56.50	56.80	250.00*
Lowest	30.00	26.00	29.60	45.50	51.20	49.60	48.00	50.00
Closing	34.20	41.50	30.20	45.80	52.10	52.00	52.60	53.80
* Prior to the sub-division of shares								
As at								
	31st December	30th September	30th June	31st March	31st December	30th September	30th June	31st March
Profitability								
Interest margin (%)	5.66	5.35	4.85	4.54	3.61	3.46	3.42	3.35
Return on assets (before tax) (%)	1.16	0.96	1.43	2.13	1.44	1.42	1.67	2.19
Return on equity (after tax) (%)	10.95	8.08	12.06	15.95	11.05	10.76	12.91	16.97
Regulatory Capital								
Common Equity Tier I Capital Ratio (%)	11.92	11.31	11.30	11.44	13.95	12.32	12.45	12.94
(Minimum Requirement: 7.0%)								
Total Tier I Capital Ratio (%)	11.92	11.31	11.30	11.44	13.95	12.32	12.45	12.94
(Minimum Requirement: 8.5%)								
Total Capital Ratio (%)	14.27	13.72	13.82	14.20	17.02	15.56	15.83	15.76
(Minimum Requirement: 12.5%)								
Leverage Ratio (%) (Minimum Requirement: 3%)	7.00	6.86	6.68	6.52	7.80	7.04	7.00	6.69
Assets Quality								
Gross NPA Ratio (%)	n/a	n/a	n/a	n/a	5.09	5.52	5.77	5.92
Net NPA Ratio (%)	n/a	n/a	n/a	n/a	1.78	2.33	2.58	2.91
Impaired Loans (Stage 3) Ratio %**	4.35	4.08	3.31	3.17	3.20	3.34	n/a	n/a
Impairment (Stage 3) to Stage 3 Loans Ratio (%)**	53.84	50.54	49.70	46.97	45.45	42.96	n/a	n/a
Regulatory Liquidity								
Statutory Liquid Assets Ratio - Bank								
(Minimum Requirement: 20%)	27.85	22.58	22.62	32.07	32.62	31.81	35.36	36.36
Liquidity Coverage Ratio (%) - Rupee								
(Minimum Requirement: 2022 - 90%, 2021 - 100%)	200.78	218.72	209.84	218.76	254.89	259.91	275.50	377.78
Liquidity Coverage Ratio (%) - All Currency								
(Minimum Requirement: 2022 - 90%, 2021 - 100%)	146.53	153.92	109.77	157.81	213.43	193.00	203.38	234.98
Net Stable Funding Ratio (%)								
(Minimum Requirement: 2022 - 90%, 2021 - 100%)	157.10	150.22	141.46	151.25	149.92	147.14	146.51	146.58

n/a - not applicable

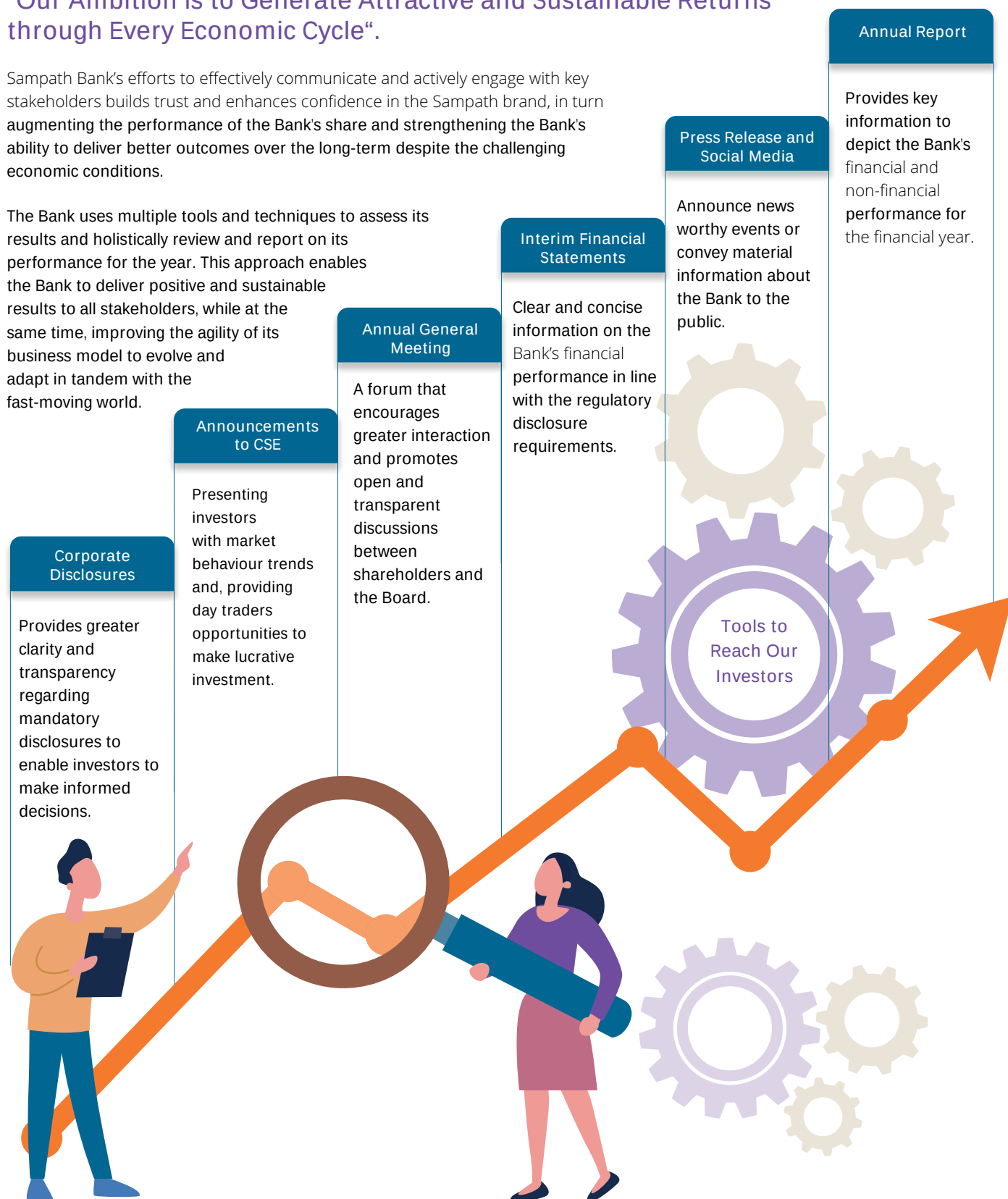
**Subsequent to the issuance of the new Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks, CBSL directed banks to publish ratios related to Stage 3 instead of non-performing loan ratios in the Interim Financial Statements, with effect from 3rd quarter 2021.

INVESTOR INFORMATION

“Our Ambition is to Generate Attractive and Sustainable Returns through Every Economic Cycle“.

Sampath Bank's efforts to effectively communicate and actively engage with key stakeholders builds trust and enhances confidence in the Sampath brand, in turn augmenting the performance of the Bank's share and strengthening the Bank's ability to deliver better outcomes over the long-term despite the challenging economic conditions.

The Bank uses multiple tools and techniques to assess its results and holistically review and report on its performance for the year. This approach enables the Bank to deliver positive and sustainable results to all stakeholders, while at the same time, improving the agility of its business model to evolve and adapt in tandem with the fast-moving world.

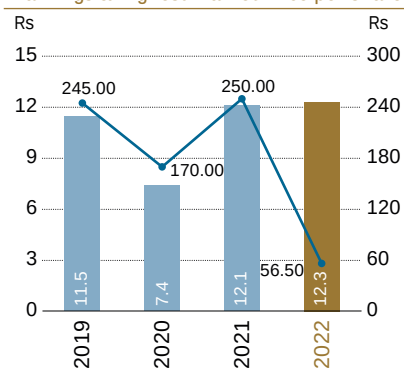


INVESTOR INFORMATION

Value Creation for Shareholders

	2022	2021	Change %
Net asset value per share (Rs)	110.44	103.77	6.43
Group earnings per share - Basic (Rs)	12.29	12.11	1.49
Dividend per share (Rs)	4.60	4.25	8.24
Market price per share as at 31st December (Rs)	34.20	52.10	(34.36)
Dividend payout ratio (%)	40.08	39.04	2.66

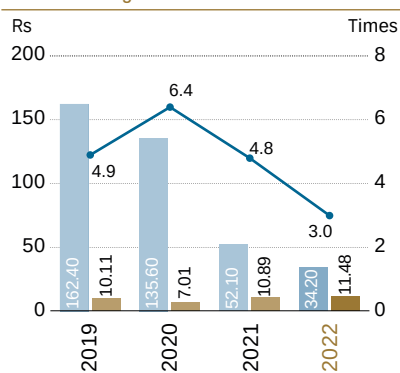
Earnings & Highest Market Price per Share



■ Earnings per Share - Group *

◆ Highest Market Price per Share - Bank (RHS) **

Price Earning Ratio as at 31st December

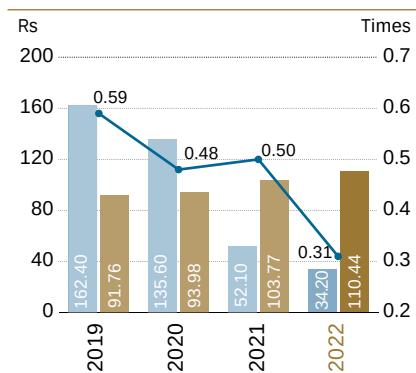


■ Market Price per Share - Bank **

■ Earnings per Share - Bank *

◆ Price Earning Ratio - Bank (RHS)

Price to Book Value as at 31st December

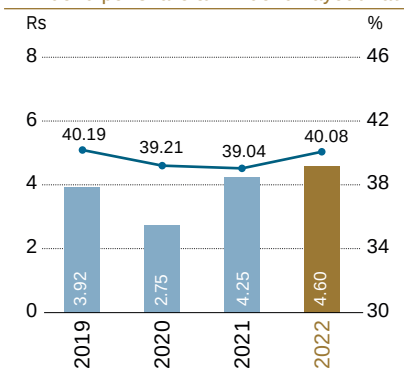


■ Market Price per Share - Bank **

■ Net Asset Value per Share - Bank *

◆ Price to Book Value Ratio - Bank (RHS)

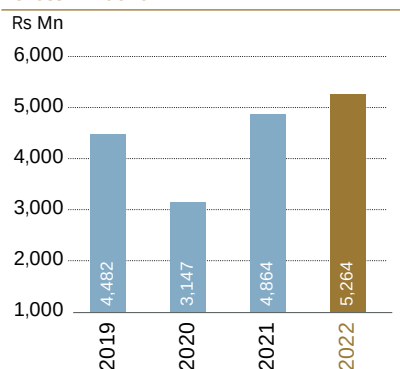
Dividend per Share & Dividend Payout Ratio



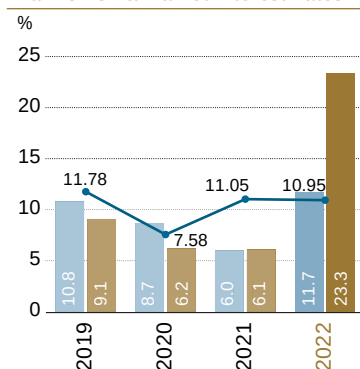
■ Dividend per Share *

◆ Dividend Payout Ratio (RHS)

Gross Dividend



Bank's ROE & Market Interest Rates



■ Average of 12 Months AWFDR

■ Average of 12 Months T-Bill Rate

◆ ROE (after income tax)

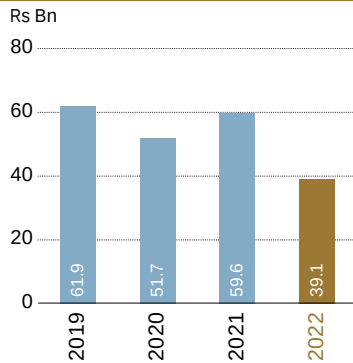
* The earnings per share, the net asset value per share and the dividend per share of the Bank and the Group for the year 2019 and 2020 have been adjusted to reflect the increased number of shares due to the sub-division in 2021.

** Market prices of shares given above are not adjusted for the sub division of shares in 2021.

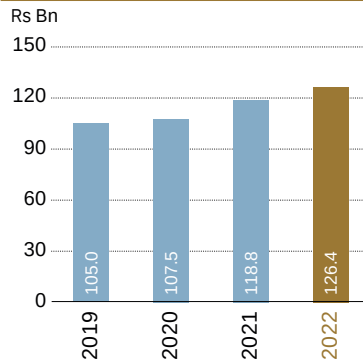
Bank's Market Capitalisation in Comparison to CSE - as at 31st December

	2022	2021	2020	2019	2018	2017
Sampath Bank's market capitalisation (Rs Mn)	39,138	59,622	51,726	61,949	66,012	68,577
(Decrease)/Increase % in market capitalisation	(34%)	15%	(17%)	(6%)	(4%)	49%
CSE market capitalisation (Rs Mn)	3,847,153	5,489,168	2,960,648	2,851,313	2,839,445	2,899,291
As a % of CSE market capitalisation	1.02%	1.09%	1.75%	2.17%	2.32%	2.37%
Market capitalisation rank	23	21	17	10	9	12

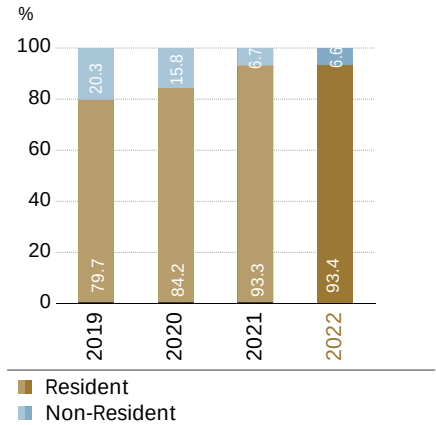
Bank's Market Capitalisation



Shareholders' Fund



Shareholding - Resident & Non-Resident



Analysis of Shareholders

Resident/Non-Resident

	31st December 2022			31st December 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident shareholders	30,902	1,069,322,139	93.44	30,310	1,067,392,342	93.27
Non-resident shareholders	235	75,051,816	6.56	232	76,981,613	6.73
Total	31,137	1,144,373,955	100.00	30,542	1,144,373,955	100.00

Individuals/Institutions

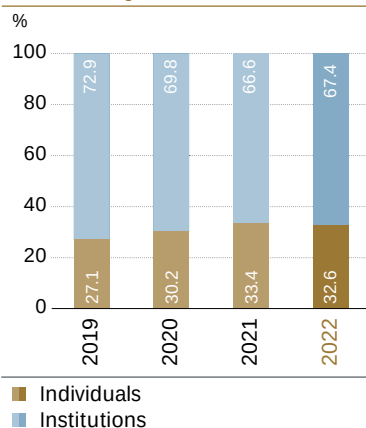
	31st December 2022			31st December 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	30,322	373,333,616	32.62	29,662	381,929,453	33.37
Institutions	815	771,040,339	67.38	880	762,444,502	66.63
Total	31,137	1,144,373,955	100.00	30,542	1,144,373,955	100.00

Composition of Share Ownership

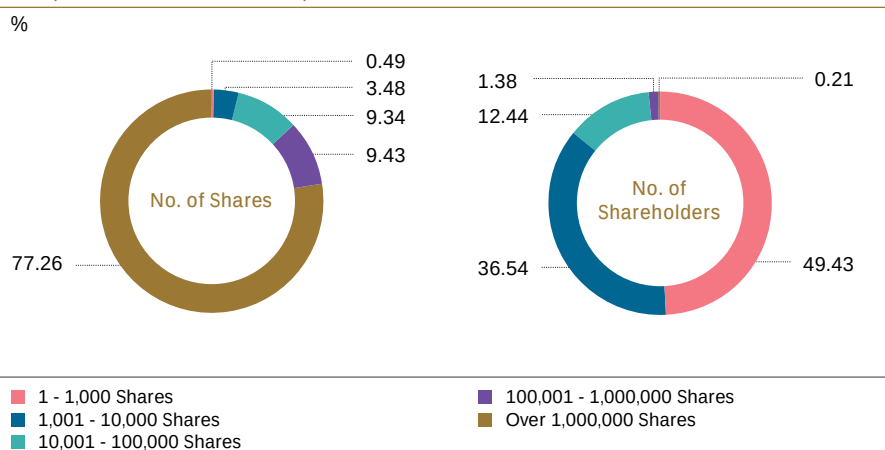
	31st December 2022				31st December 2021			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 - 1,000 shares	15,391	49.43	5,682,710	0.49	14,631	47.90	5,549,734	0.49
1,001 - 10,000 shares	11,379	36.54	39,809,081	3.48	11,375	37.24	39,989,989	3.49
10,001 - 100,000 shares	3,873	12.44	106,842,549	9.34	3,997	13.10	111,259,086	9.72
100,001 - 1,000,000 shares	428	1.38	107,925,818	9.43	465	1.52	116,076,674	10.14
Over 1,000,000 shares	66	0.21	884,113,797	77.26	74	0.24	871,498,472	76.16
Total	31,137	100.00	1,144,373,955	100.00	30,542	100.00	1,144,373,955	100.00

INVESTOR INFORMATION

Shareholding of Individuals & Institutions



Composition of Share Ownership 2022



Share Trading

Market

	2022	2021	2020	2019	2018
No. of transactions	6,057,233	8,131,508	3,070,021	1,197,205	885,657
No. of shares traded	29,047,818,242	59,771,688,538	21,348,728,655	9,855,016,003	6,000,737,306
Value of shares traded (Rs Mn)	686,602	1,173,157	396,882	171,408	200,068

Bank

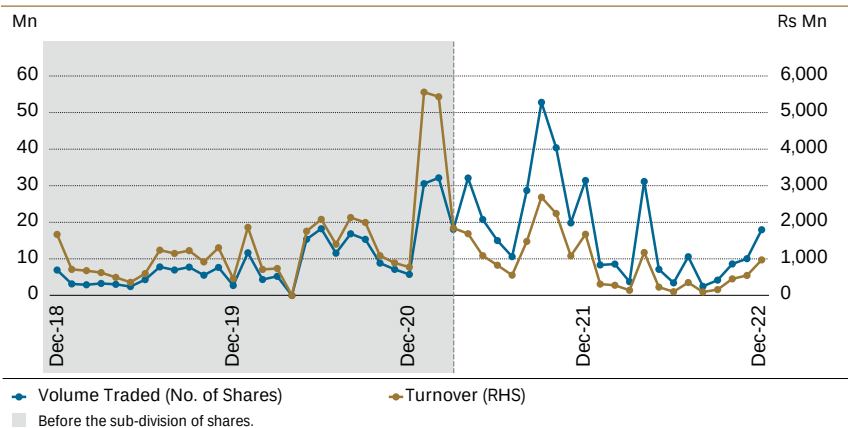
	2022	2021	2020	2019	2018
No. of transactions	57,981	159,003	89,358	44,188	29,623
No. of shares traded	116,309,634	332,368,388	120,322,546	57,548,812	48,444,177
As a % of total shares in issue	10.16	29.04	31.54	15.09	17.25
Average daily turnover (Rs Mn)	20.66	110.31	73.79	40.32	56.75
Value of shares traded (Rs Mn)	4,812.84	26,144.44	15,423.04	9,757.84	13,621.11

Sampath Bank's Share Price Fluctuation

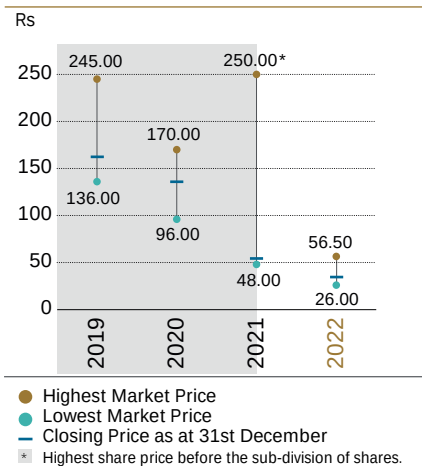
	2022	2021	2020	2019	2018
Lowest market price (Rs)	26.00	48.00	96.00	136.00	218.00
Highest market price (Rs)	56.50	250.00*	170.00	245.00	335.50
Closing price as at 31st December (Rs)	34.20	52.10	135.60	162.40	235.00

* Highest share price of Rs 250.00 reported prior to the sub-division of shares in 2021.

Share Trading - Sampath Bank PLC (Volume Traded & Turnover)



Bank's Share Price Fluctuation



Sampath Bank PLC - Ordinary Shares

Frequency Distribution of Shareholders as at 31st December 2022

Share Range	Resident				Non-Resident				Total			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 - 250	7,972	25.60	682,721	0.06	22	0.07	1,698	0.00	7,994	25.67	684,419	0.06
251 - 500	2,842	9.13	1,081,225	0.09	15	0.05	5,873	0.00	2,857	9.18	1,087,098	0.09
501 - 1,000	4,519	14.52	3,893,908	0.34	21	0.06	17,285	0.00	4,540	14.58	3,911,193	0.34
1,001 - 2,000	3,769	12.11	5,471,646	0.48	15	0.04	23,382	0.00	3,784	12.15	5,495,028	0.48
2,001 - 5,000	4,755	15.28	14,727,873	1.29	27	0.08	91,023	0.01	4,782	15.36	14,818,896	1.30
5,001 - 10,000	2,782	8.93	19,260,517	1.68	31	0.10	234,640	0.02	2,813	9.03	19,495,157	1.70
10,001 - 20,000	1,946	6.25	26,818,256	2.34	33	0.11	460,368	0.05	1,979	6.36	27,278,624	2.39
20,001 - 30,000	726	2.33	17,863,824	1.56	12	0.04	263,160	0.02	738	2.37	18,126,984	1.58
30,001 - 40,000	375	1.20	12,915,261	1.13	6	0.02	216,717	0.02	381	1.22	13,131,978	1.15
40,001 - 50,000	250	0.80	11,275,681	0.99	5	0.02	230,322	0.02	255	0.82	11,506,003	1.01
50,001 - 100,000	505	1.62	35,643,229	3.11	15	0.05	1,155,731	0.10	520	1.67	36,798,960	3.21
100,001 - 1,000,000	407	1.31	101,020,978	8.83	21	0.07	6,904,840	0.60	428	1.38	107,925,818	9.43
Over 1,000,000	54	0.17	818,667,020	71.54	12	0.04	65,446,777	5.72	66	0.21	884,113,797	77.26
Total	30,902	99.25	1,069,322,139	93.44	235	0.75	75,051,816	6.56	31,137	100.00	1,144,373,955	100.00

INVESTOR INFORMATION

Sampath Bank PLC - Ordinary Shares

Top 20 Shareholders

No.	Name of the Shareholder	31st December 2022		31st December 2021*	
		No. of Shares	% Holding	No. of Shares	% Holding
1	VALLIBEL ONE PLC	171,117,084	14.95	171,117,084	14.95
2	AYENKA HOLDINGS PRIVATE LIMITED	114,123,916	9.97	112,273,166	9.81
3	EMPLOYEES' PROVIDENT FUND	114,123,780	9.97	114,123,780	9.97
4	MR Y.S.H.I. SILVA**	93,799,287	8.20	93,799,287	8.20
5	ROSEWOOD (PVT) LIMITED-ACCOUNT NO.1	51,555,893	4.51	51,595,893	4.51
6	SENTHILVERL HOLDINGS (PVT) LTD	51,380,173	4.49	29,688,375	2.59
7	PHANTOM INVESTMENTS (PRIVATE) LIMITED	32,481,106	2.84	28,905,259	2.53
8	AKBAR BROTHERS PVT LTD A/C NO 1	27,455,171	2.40	26,355,976	2.30
9	PHOENIX VENTURES PRIVATE LIMITED	24,909,975	2.18	24,909,975	2.18
10	EMPLOYEES' TRUST FUND BOARD	22,425,477	1.96	22,425,477	1.96
11	DR T. SENTHILVERL	13,327,533	1.16	13,975,589	1.22
12	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	11,916,592	1.04	11,464,912	1.00
13	SAMPATH BANK PLC ACCOUNT NO 04 (SAMPATH BANK PENSION FUND)	11,546,646	1.01	11,546,646	1.01
14	MRS P.D.A.S. BERUWALAGE	10,837,215	0.95	8,787,155	0.77
15	PEMBERTON ASIAN OPPORTUNITIES FUND	10,250,000	0.90	10,000,000	0.87
16	BBH-TUNDRA SUSTAINABLE FRONTIER FUND	9,600,000	0.84	9,600,000	0.84
17	SSBT-AL MEHWAR COMMERCIAL INVESTMENTS L.L.C.	6,710,925	0.59	7,700,925	0.67
18	MAGNA WEALTH (PVT) LTD	6,511,463	0.57	7,099,989	0.62
19	NATIONAL DEVELOPMENT BANK PLC/SHANKER VARADANANDA SOMSUNDARAM	5,500,000	0.48	nil	nil
20	MELLON BANK N.A.-UPS GROUP TRUST	4,655,274	0.41	4,655,274	0.41
		794,227,510	69.42	760,024,762	66.41
Total No. of shares registered		1,144,373,955	100.00	1,144,373,955	100.00
Total No. of shares unregistered		-	-	-	-
Total No. of shares issued		1,144,373,955	100.00	1,144,373,955	100.00
Shares held by Directors		2,000,117	0.17	2,000,117	0.17
Shares held by Institutions		771,040,339	67.38	762,444,502	66.63
Balance held by Others		371,333,499	32.45	379,929,336	33.20
Total No. of shares issued		1,144,373,955	100.00	1,144,373,955	100.00
No. of Public Shareholders		31,131		30,536	
% Shares held by Public			90.62		90.62
% Shares held by Directors and Related Parties			9.38		9.38

* Shareholding as at 31st December 2021 of the top twenty shareholders as at 31st December 2022.

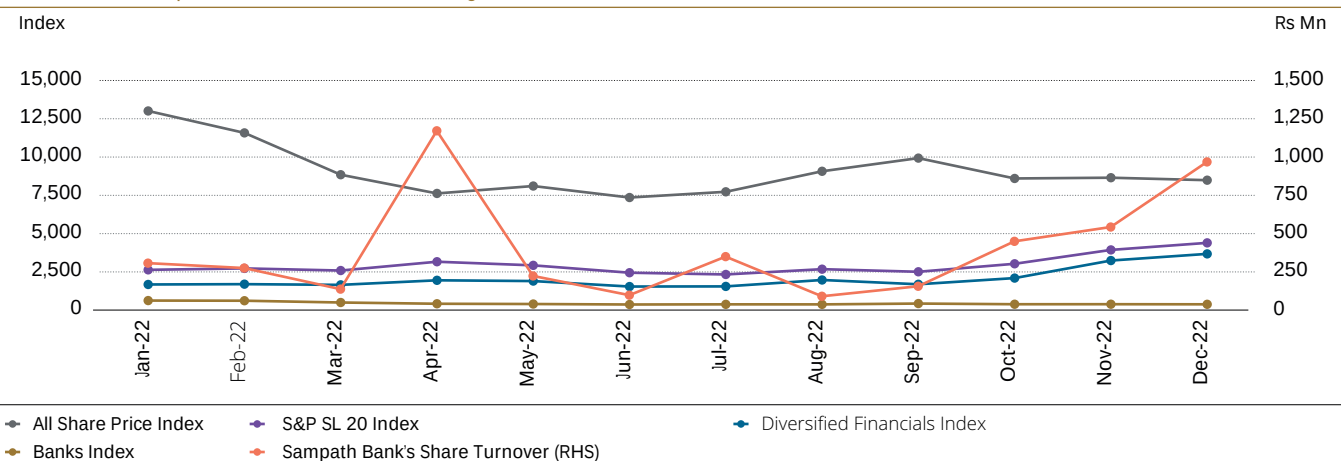
** Mr Rushanka Silva, the Managing Director of Indra Traders (Pvt) Ltd, was appointed as a Non-Executive, Non-Independent Director of the Bank with effect from 1st September 2017. Accordingly, the shareholding of Mr Y S H I Silva, who is the main shareholder of Indra Traders (Pvt) Ltd, has been excluded from the public shareholding of the Bank.

As at 31st December

No. of Public Shareholders	Percentage of Public Holding	Float Adjusted Market Capitalisation
31,131	90.62%	Rs 35 Bn
2022 	2022 	2022 
2021 	2021 	2021 
2020 	2020 	2020 

The Bank complies with the minimum public holding requirement under option 1 of Listing Rules Section 7.13.1 (a).

Performance Compared to Colombo Stock Exchange



Subsidiaries - Ordinary Shares

	Siyapatha Finance PLC		Sampath Centre Limited		SC Securities (Pvt) Limited		Sampath Information Technology Solutions Limited	
	No. of Shares	Stated Capital Rs 000	No. of Shares	Stated Capital Rs 000	No. of Shares	Stated Capital Rs 000	No. of Shares	Stated Capital Rs 000
As at 1st January 2021	76,212,072	1,522,881	35,855,477	454,225	11,470,002	127,200	10,246,138	297,747
Add: Increase due to scrip dividend	2,035,594	123,214	177,734	22,938	358,861	6,424	-	-
Add: Allotment of rights issue of shares	13,725,490	700,000	-	-	-	-	-	-
As at 31st December 2021	91,973,156	2,346,095	36,033,211	477,163	11,828,863	133,624	10,246,138	297,747
As at 1st January 2022	91,973,156	2,346,095	36,033,211	477,163	11,828,863	133,624	10,246,138	297,747
Add: Increase due to scrip dividend	5,192,855	328,344	278,537	39,318	261,509	11,011	363,799	16,490
As at 31st December 2022	97,166,011	2,674,439	36,311,748	516,481	12,090,372	144,635	10,609,937	314,237

INVESTOR INFORMATION

Dividend Payment Details

Year	Total Dividend Paid Rs Mn	Dividend per Share* Rs	Cash Dividend per Share* Rs	Scrip Dividend per Share* Rs	Profit for the Year Rs Mn	Dividend Payout Ratio
1988	8.80	0.50	0.50	n/a	27	32.59%
1989	13.10	0.75	0.75	n/a	20	65.50%
1990	8.90	0.50	0.50	n/a	10	89.00%
1991	17.70	0.50	0.50	n/a	41	43.17%
1992	35.40	1.00	1.00	n/a	71	49.86%
1993	35.40	1.00	1.00	n/a	122	29.02%
1994	44.30	1.25	1.25	n/a	172	25.76%
1995	53.10	1.50	1.50	n/a	241	22.03%
1996	53.10	1.50	1.50	n/a	282	18.83%
1997	53.10	1.50	1.50	n/a	322	16.49%
1998	53.10	1.50	1.50	n/a	372	14.27%
1999 (Interim)	116.90	4.00	3.30	n/a	261	54.29%
1999 (Final)	24.80		0.70	n/a		
2000	58.70	1.75	1.75	n/a	402	14.60%
2001	52.14	1.75	1.75	n/a	322	16.19%
2002	88.57	2.00	2.00	n/a	441	20.08%
2003 (Interim)	59.78	2.00	2.00	n/a	561	14.58%
2003 (Final)	21.99					
2004 (Interim)	65.98	2.00	2.00	n/a	621	16.15%
2004 (Final)	34.30					
2005 (Interim)	87.14	2.00	2.00	n/a	821	14.54%
2005 (Final)	32.21					
2006	155.47	2.50	2.50	n/a	1,028	15.12%
2007	206.66	3.00	3.00	n/a	1,052	19.64%
2008	256.65	4.00	4.00	n/a	1,414	18.15%
2009	436.19	6.25	6.25	n/a	2,098	20.79%
2010	1,235.86	8.09	n/a	8.09	3,303	37.42%
2011	1,426.98	9.00	4.50	4.50	3,819	37.37%
2012	1,954.10	12.00	6.00	6.00	5,230	37.36%
2013	1,342.63	8.00	8.00	n/a	3,430	39.13%
2014	1,847.01	11.00	5.00	6.00	4,914	37.59%
2015	2,240.06	13.00	6.00	7.00	6,134	36.52%
2016 (Interim)	2,477.73	18.75	n/a	14.00	9,125	36.85%
2016 (Final)	884.41		4.75	n/a		
2017	4,598.43	17.20	n/a	17.20	12,104	38.00%
2018	4,564.66	16.25	5.00	11.25	12,143	37.59%
2019	4,482.13	11.75	11.75	n/a	11,151	40.19%
2020	3,147.03	2.75	2.75	n/a	8,025	39.21%
2021	4,863.59	4.25	4.25	n/a	12,457	39.04%
2022 (Proposed)	5,264.12	4.60	3.45	1.15	13,134	40.08%

n/a - not applicable

* Actual dividend per share paid in each year.

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Record of Scrip Issues

Year	Issue	Basis/ Proportion	No. of Shares Issued	Consideration per Share Rs	Contribution to Stated Capital Rs Mn	Reason for Issue
2010	Interim Scrip Dividend for 2010	1 for 120.74	627,596	326.00	204.6	Increase stated capital
2011	Final Scrip Dividend for 2010	1 for 43.39	3,521,294	260.00	915.5	Increase stated capital
2012	Final Scrip Dividend for 2011	1 for 43.06	3,682,039	175.00	644.4	Increase stated capital
2013	Final Scrip Dividend for 2012	1 for 33.12	4,916,007	180.10	885.4	Increase stated capital
2015	Final Scrip Dividend for 2014	1 for 38.14	4,402,402	206.99	911.3	Increase stated capital
2016	Final Scrip Dividend for 2015	1 for 36.91	4,668,414	233.44	1,089.8	Increase stated capital
2017	Interim Scrip Dividend for 2016	1 for 19.22	9,209,419	242.55	2,233.7	Increase stated capital
2018	Final Scrip Dividend for 2017	1 for 19.72	13,551,804	291.93	3,956.1	Increase stated capital
2019	Final Scrip Dividend for 2018	1 for 24.32	11,548,874	235.66	2,721.6	Increase stated capital

Record of Bonus Issues and Sub-divisions

Year	Issue	Basis/Proportion	No. of Shares Issued	Reason for Issue
2004	Bonus Issue	1 for 6	7,380,817	Benefit to shareholders
2010	Consolidation and Sub-division	11 for 10	6,888,762	Benefit to shareholders
2010	Sub-division	1 for 1	76,403,986	Benefit to shareholders
2021	Sub-division	3 for 1	762,915,970	Benefit to shareholders

Record of Rights Issues

Year	Issue	Basis/Proportion	No. of Shares Issued	Price per Share Rs	Contribution to Stated Capital Rs Mn
2005	Rights Issue 2005	1 for 3 held	17,221,907	60.00	1,033.3
2017	Rights Issue 2017	1 for 6 held	31,031,748	245.00	7,602.8
2018	Rights Issue 2018	3 for 13 held	50,128,208	250.00	12,532.1
2019	Rights Issue 2019	7 for 23 held	89,006,863	136.00	12,104.9

Employee Share Option Plans

Capitalised Year	Issue	No. of Shares Issued	Price per Share Rs	Contribution to Stated Capital Rs Mn	Reason for Issue
2011	ESOP 2010	524,924	80.00	42.0	Benefit for staff members
2012	ESOP 2010	2,200,436	80.00	176.0	Benefit for staff members
2013	ESOP 2010	134,933	80.00	10.8	Benefit for staff members
2014	ESOP 2010	122,648	80.00	9.8	Benefit for staff members

Disclosure of Related Party Transactions as per Section 9 of the CSE Listing Rules

Aggregate monetary values of the transactions carried out by the Bank with the Related Parties did not exceed the following thresholds given in Section 9 of the CSE Listing Rules.

- Non-recurrent related party transactions - 10% of the equity or 5% of the total assets as at 31st December 2022, whichever is lower.
- Recurrent related party transactions - 10% of the gross revenue/income for the year ended 31st December 2022.

INVESTOR INFORMATION

Debenture Information

(A) Market Values

Debentures - 2017/2022	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2022	2021	2022	2021	2022	2021
Fixed: 12.50%	101.71	n/t	101.71	n/t	101.71	n/t
Debentures - 2017/2022 were redeemed on 21st December 2022.						

Debentures - 2018/2023	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2022	2021	2022	2021	2022	2021
Fixed: 12.50%	102.13	n/t	102.13	n/t	102.13	n/t

Debentures - 2019/2024	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2022	2021	2022	2021	2022	2021
Fixed: 13.90%	101.00	n/t	100.00	n/t	100.00	n/t

Debentures - 2021/2028	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2022	2021	2022	2021	2022	2021
Fixed: 9.00%	n/t	n/t	n/t	n/t	n/t	n/t

n/t - not traded

(B) Interest Rates

Debentures - 2017/2022	2022		2021	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 12.50%	12.50%	12.89%	12.50%	12.89%
Debentures - 2017/2022 were redeemed on 21st December 2022.				

Debentures - 2018/2023	2022		2021	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 12.50%	12.50%	12.89%	12.50%	12.89%

Debentures - 2019/2024	2022		2021	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 13.90%	13.90%	13.90%	13.90%	13.90%

Debentures - 2021/2028	2022		2021	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 9.00%	9.00%	9.00%	9.00%	9.00%

(C) Interest Rates of Comparable Government Securities

As at 31st December	2022	2021
3 Month Treasury Bill	32.64%	8.26%
6 Month Treasury Bill	32.20%	8.30%
5 Year Treasury Bond	26.76%	10.69%
7 Year Treasury Bond	26.01%	11.52%

(D) Current Yield and Yield to Maturity

Debentures - 2017/2022	Fixed: 12.50%	
	2022	2021
Current yield	12.67%	n/t
Yield to maturity of last trade	10.38%	n/t
Debentures - 2017/2022 were redeemed on 21st December 2022.		

Debentures - 2018/2023	Fixed: 12.50%	
	2022	2021
Current yield	12.62%	n/t
Yield to maturity of last trade	10.42%	n/t

Debentures - 2019/2024	Fixed: 13.90%	
	2022	2021
Current yield	13.90%	n/t
Yield to maturity of last trade	13.75%	n/t

Debentures - 2021/2028	Fixed: 9.00%	
	2022	2021
Current yield	n/t	n/t
Yield to maturity of last trade	n/t	n/t

n/t - not traded

(E) Ratios - Bank

	2022	2021
Debt to equity ratio (%)	18.8	24.9
Interest cover (Times)	6.8	6.6
Quick asset ratio (%)	66.5	64.1

Utilisation of Funds Raised via Capital Markets

Funds Raised in Previous Years

The funds raised via capital markets in the previous years were fully utilised for the objectives stated in the relevant prospectuses.

Funds Raised from the Debenture Issue 2023/2028 on 9th February 2023

Objective No.	Objective as per Prospectus	Amount Allocated as per Prospectus	Proposed Date of Utilisation as per Prospectus	Amount Allocated from Proceeds (A)	% of Total Proceeds	Amounts Utilised (B)	% of Utilisation against Allocation (B/A)	Clarification if Not Fully Utilised including where the Funds are Invested
1	To increase the Tier II capital base of the Bank	Rs 10.0 Bn	09.02.2023	Rs 10.0 Bn	100%	Rs 10.0 Bn	100%	Fully utilised
2	To improve the liquid asset base of the Bank	Rs 10.0 Bn	09.02.2023	Rs 10.0 Bn	100%	Rs 10.0 Bn	100%	Fully utilised

ECONOMIC VALUE ADDITION

ECONOMIC VALUE ADDITION - BANK

The economic value created by the Bank to its shareholders during the year is reflected in the below analysis.

For the year ended 31st December	2022 Rs Mn	2021 Rs Mn
Average shareholders' funds	122,566	113,150
Impairment provision	130,853	58,847
	253,419	171,997
Profit attributable to shareholders	13,134	12,457
Impairment charge	62,706	17,085
Amounts written off - loans and other losses	(1,618)	(351)
	74,222	29,191
Economic cost (12 months' average Treasury Bill rate plus 2% risk premium)	25.3%	8.1%
Economic cost	64,115	13,932
Economic value addition	10,107	15,259

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED - BANK

Information on the creation and distribution of economic value provides a basic indication of how the Bank has created wealth for its stakeholders.

For the year ended 31st December	2022 Rs Mn	2021 Rs Mn
Direct Economic Value Generated		
Interest income	157,619	85,987
Exchange income	16,261	4,849
Commission income	21,941	13,240
Investment income	1,103	482
Other income	703	251
	197,627	104,809
Economic Value Distributed		
To Depositors and Lenders		
Interest expense	80,664	40,680
	80,664	40,680
Operating Costs		
Depreciation and amortisation	2,545	2,454
Fee and commission expense	2,499	1,765
Other operating expense	12,765	8,504
	17,809	12,723
To Employees		
Salaries	8,493	7,540
Other benefits	4,003	2,003
	12,496	9,543
Payments to Government		
Income tax expense	18,664	6,407
Taxes on financial services	5,176	3,901
Crop insurance levy	131	124
	23,971	10,432
To Community		
Corporate social responsibility projects	31	11
Corporate leadership programme for school leavers and undergraduates	79	31
Donations	1	1
	111	43
Payments to Providers of Capital		
Interest to debt securities holders	3,453	3,637
Dividend to shareholders	5,264	4,864
	8,717	8,501
Economic value distributed	143,768	81,922
Economic value retained (after payment of dividend to shareholders)	53,859	22,887
	197,627	104,809

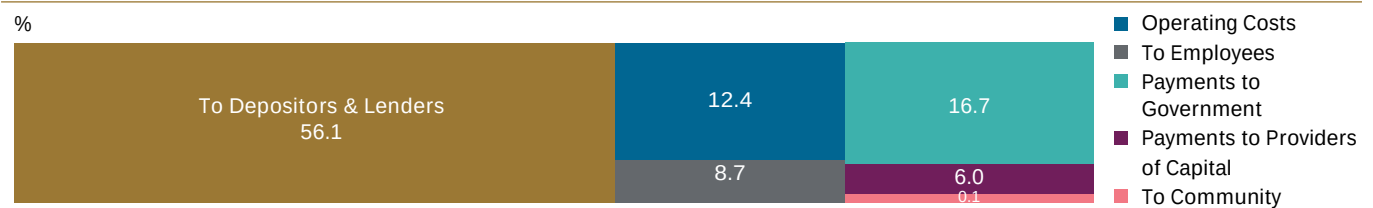
Composition of Economic Value Generated - 2022



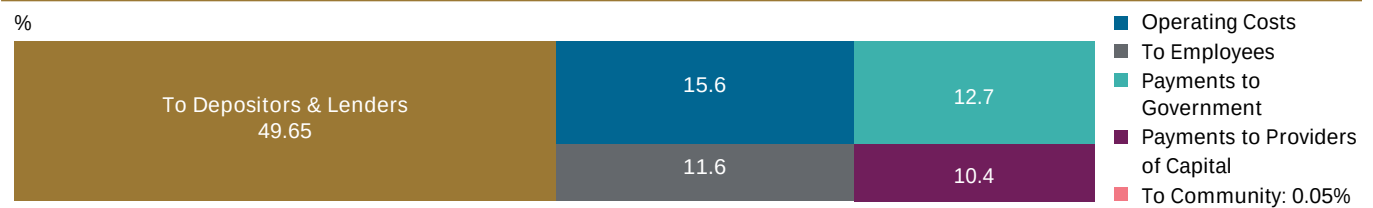
Composition of Economic Value Generated - 2021



Composition of Economic Value Distributed - 2022



Composition of Economic Value Distributed - 2021



CORPORATE GOVERNANCE

► GRI 2-12,23

COMPLIANCE WITH GOVERNANCE DIRECTIONS AND CODES

The Banking Act Direction No. 11 of 2007 and Subsequent Amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka Issued by the Central Bank of Sri Lanka (CBSL)

CBSL Section	Principle, Compliance and Implementation	Complied
3(1)	RESPONSIBILITIES OF THE BOARD	
(1) 3(1)(i)	Ensuring Strengthened Safety and Soundness of the Bank	
	(a) Setting Strategic Objectives and Corporate Values The Bank's strategic objectives and corporate values are determined by the Board and are given on pages 12 and 13 of the Annual Report. These are communicated to all levels of staff through regular briefing sessions and reinforced by the Corporate Management Team. Strategic objectives and corporate values are also conveyed to new recruits as a part of their Induction programme.	✓
	(b) Overall Business Strategy including Risk Policy and Management The revolving Strategic Plan for the period 2022-2024 that was approved by the Board during 2021 in consultation with the Corporate Management was successfully implemented with regular reviews. The Strategic Plan for the year 2023 was duly approved by the Board in 2022. In addition, the Risk Management framework and mechanisms have also been approved by the Board in line with the Strategic Plan 2023. Measurable goals for the Bank as a whole have been set with performance milestones that are to be measured quarterly or more frequently if required. Further, the Bank has entered into an arrangement with a consultancy firm with international expertise to prepare a long term strategic plan, which is expected to be completed within 2023. This will involve extensive analysis of internal and external factors such as local and international economic/business environment, opportunities, technology, risks, compliance etc., and involvement of all stakeholders during the strategic planning and implementation process.	✓
	(c) Risk Management The Board Integrated Risk Management Committee (BIRMC) is responsible for independently reviewing, identifying, measuring, monitoring and controlling all the risks. To ensure this process, the BIRMC is tasked with recommending the Bank's risk policies, defining the risk appetite, identifying principal risks, setting risk governance structures, and implementing systems to measure, monitor and manage the principal risks. The BIRMC is under the purview of the Main Board and responsible for updating significant risk events to the main Board. The following reports provide further insights in this regard: ➤ Risk Management Report is on pages 204 to 217. ➤ Board Integrated Risk Management Committee Report is on pages 198 to 200.	✓
	(d) Communication with all Stakeholders A recently reviewed Board-approved Communication policy is in place and serves as the basis for communicating with all stakeholders, including depositors, creditors, shareholders and borrowers.	✓
	(e) Internal Control System and Management Information Systems The Board reviews the adequacy and the integrity of the Bank's internal control systems and management information systems based on the reports provided by the Board Audit Committee (BAC). Accordingly, the BAC reviews Internal Audit reports submitted by the Internal Audit Department and monitors the follow up action. Considering the reports provided by the BAC in 2022, the Board concluded that the Bank's Internal Control Over Financial Reporting system is effective. Refer pages 232 and 233 for Directors' Statement on Internal Control Over Financial Reporting.	✓
	(f) Key Management Personnel (KMPs) The Board has identified members of the Corporate Management, the Chief Compliance Officer and the Assistant Company Secretary as Key Management Personnel, being "Officers Performing Executive Functions of Licensed Commercial Banks (LCBs)", as required by the relevant regulations imposed by the CBSL for the LCBs. All appointments of designated KMPs are recommended by the Board Nomination Committee and approved by the Board.	✓

GRI 2-15

CBSL Section	Principle, Compliance and Implementation	Complied
	(g) Define Areas of Authority and Key Responsibilities for Directors and Key Management Personnel Areas of authority and key responsibilities have been defined for Directors and KMPs through the "Code of Conduct and Governance Requirement for Directors" and the relevant Position Description of the KMPs respectively. The Board of Directors and KMPs have delivered the entrusted responsibilities at an optimum level under the defined areas of authority during the year under review.	✓
	(h) Oversight of Affairs of the Bank by Key Management Personnel KMPs make regular presentations to the Board and Board Sub-Committees on matters under their respective purview and are also regularly called in by respective forums to explain matters related to their areas of operation.	✓
	(i) Assesses Effectiveness of own Governance Practices including Selection and Nomination of Directors and KMPs, Management of Conflict of Interest and Determination of Weaknesses The effectiveness of the Board's own governance practices, including the Policy on Selection, Nomination, Appointment and Election of Directors, Procedure on Selection and Appointment of CEO and KMP and the Policy on Managing Conflicts of Interest are all periodically reviewed by the Board. The summary of annual self-evaluations submitted by individual directors for 2021 was reviewed and discussed collectively by the Board during 2022, to determine weaknesses and implement necessary changes as appropriate.	✓
	(j) Succession Plan for Key Management Personnel The Bank develops and updates the succession plan for Key Management Personnel aligned to the Bank's strategic objectives to ensure minimum 1:1 backup ratio as appropriate which even includes the position of Managing Director.	✓
	(k) Regular Meetings with Key Management Personnel KMPs are called upon as and when required to attend meetings of the Board and its Sub-Committees to review progress towards corporate objectives, policies and other matters relating to the scope of work under their respective purview.	✓
	(l) Regulatory Environment and Effective Relationship with Regulators Directors are briefed on developments in the regulatory environment at Board Meetings to ensure that their knowledge is updated regularly to enable them to discharge their responsibilities effectively. The Bank has always maintained an effective relationship with the regulators. Further, the MD or his nominee attended all scheduled CEO/MD forums on Governance organised by CBSL during the year 2022.	✓
	(m) Hiring and Oversight of External Auditor The BAC carries out necessary due diligence regarding the hiring of the External Auditors and makes recommendations to the Board. The appointment of the External Auditor is made at the Bank's Annual General Meeting (AGM). The BAC is responsible for overseeing the work of the External Auditor and reporting to the Board in this regard if a necessity arises. An independent consultant has been appointed to the BAC to provide advisory services to discharge their responsibilities effectively.	✓
(2)	3(1)(ii) Appointment of Chairman and MD and their Functions and Responsibilities The Board has appointed the Chairman and MD and has approved their respective functions and responsibilities, in order to maintain a balance between the two roles.	✓
(3)	3(1)(iii) Board Meetings Regular Board Meetings are held and special meetings are scheduled if the need arises. The Board met twenty-four (24) times during 2022. The Bank has minimised obtaining approval via circulation of written resolutions/papers and it is done only on an exceptional basis.	✓
(4)	3(1)(iv) Arrangements for Directors to include Proposals in the Agenda A Board-approved procedure is in place to enable all Directors to include matters and proposals in the agenda. Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals in the agenda for regular meetings where such matters and proposals relating to the promotion of business and the management of risk of the Bank.	✓

CORPORATE GOVERNANCE

► GRI 2-15

CBSL Section	Principle, Compliance and Implementation	Complied
(5) 3(1)(v)	Notice of Meetings Notice of regular Board Meetings are circulated among the Directors generally seven days prior to the meeting, providing Directors an opportunity to get prepared and attend the same.	✓
(6) 3(1)(vi)	Directors' Attendance The Directors are apprised of their attendance in accordance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks. All Directors have attended at least two-thirds of the total number of Board meetings during the year under review. Details of the Directors' attendance is set out on page 175.	✓
(7) 3(1)(vii)	Appointment and setting responsibilities of Company Secretary The Board has appointed the Company Secretary, who is an Attorney-at-Law of the Supreme Court of Sri Lanka, who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988. The Company Secretary carries out duties as specified in the statutes and regulations to his stakeholders including the Board and the shareholders. The Company Secretary guides the Board on discharging its duties and responsibilities, facilitates adherence to best practices in Corporate Governance and apprises the Board of relevant legislative and regulatory changes.	✓
(8) 3(1)(viii)	Directors' Access to Advice and Services of Company Secretary All members of the Board have the opportunity to obtain advice and services of the Company Secretary with regard to the compliance with relevant rules, regulations, directions and statutes. Further, a Board-approved policy is in place to facilitate this requirement.	✓
(9) 3(1)(ix)	Maintenance of Board Minutes The Company Secretary maintains the Minutes of the Board Meetings and circulates the same amongst all Board Members. Additionally, the Directors have access to the past Board papers and Minutes through the secure electronic link via iPads. Further, a Board-approved procedure is in place to facilitate this requirement.	✓
(10) 3(1)(x)	Minutes to be in Sufficient Detail and Accessible as a Reference for Regulators and Supervisory Authorities The detailed minutes of the meetings include: ✎ a summary of data and information used by the Board in its deliberations; ✎ the matters considered by the Board Members; ✎ the fact-finding discussions and the issues of contention or dissent; ✎ the testimonies and confirmations of relevant executives which indicates compliance with the Board's strategies and policies and adherence to relevant laws and regulations; ✎ matters related to risks to which the Bank is exposed and an overview of the risk management measures adopted; ✎ the decisions and resolutions of Board/Board Sub-Committees.	✓
(11) 3(1)(xi)	Directors' Ability to Seek Independent Professional Advice In addition to the Board-approved Policy on Enabling Directors to Seek Advice and Services of Company Secretary, the Bank has adopted a Board-approved Policy for Directors' Access to Independent Professional Advice to allow the Board to seek such advice when deemed necessary.	✓
(12) 3(1)(xii)	Dealing with Conflicts of Interest The Directors are conscious of their obligation to deal with situations where there is a conflict of interest in accordance with the Bank's Policy on Managing Conflicts of Interest and the Banking Act Direction No. 11 of 2007. As per the policy, where there is deemed to be a conflict of interest, the respective Directors refrain from participating in the discussions, voicing their opinion and approving the same. Additionally, the Director concerned is not counted in the quorum in such instances. The Bank also maintains the Register of Directors' Interests which is regularly updated in line with the regulatory requirements. In addition, Policy on Anti Bribery Corruption and Policy on Accepting and Presenting of Gifts and Favours are in place to ensure the Bank's commitment towards anti-corruption practices.	✓

CBSL Section	Principle, Compliance and Implementation	Complied
(13) 3(1)(xiii)	Formal Schedule of Matters Reserved for Board's Decision The Board has an approved schedule of matters specifically reserved for its decision to ensure that the direction and control of the Bank is within its authority in line with regulatory codes, guidelines and international best practices.	✓
(14) 3(1)(xiv)	Inform Central Bank on Probable Solvency Issues The Bank is solvent and no situations have arisen to challenge its solvency. If such a situation arises, the Bank will duly inform the Director of Bank Supervision of the CBSL. As per the Bank's Code of Conduct and Governance Requirements for Directors, the Board is responsible to inform the Director of Bank Supervision of the CBSL and make necessary public and other disclosures upon the occurrence of such an event.	✓
(15) 3(1)(xv)	Compliance with Capital Adequacy The Board and the Board Capital Planning Committee (BCPC) monitor capital adequacy and other prudential measures vis-à-vis regulatory requirement on a quarterly basis or as and when required. In addition, the Bank has established defined risk appetite for the Bank and also considers industry benchmarks in evaluating capital adequacy requirements. During the year under review, the Bank was in compliance with the minimum capital adequacy requirements. In view of mitigating risks stemming out from the macroeconomic challenges, the Bank has maintained an internal capital buffer on top of the minimum capital adequacy requirements of the regulator while ensuring the optimum consumption of capital when considering facilities during 2022.	✓
(16) 3(1)(xvi)	Publish Corporate Governance Report in Annual Report Corporate Governance Report is given on pages 168 to 181 and 432 to 466 setting out the level of compliance in line with the statutory requirements.	✓
(17) 3(1)(xvii)	Self-Assessment of Directors The Board has adopted a scheme of self-assessment to be undertaken by each Director annually, the records of which are maintained with the Company Secretary. The assessments are compiled by the Company Secretary and submitted to the Board of Directors for discussion and necessary action.	✓
3(2)	COMPOSITION OF THE BOARD	
(18) 3(2)(i)	Number of Directors The Board comprised of Eleven (11) Directors as at 31st December 2022, which is in compliance with the Direction No. 11 of 2007. During the year under review, Mr Deshal de Mel resigned from the Board with effect from 6th May 2022 and Mr Hiran Cabraal was appointed to the Board on 30th June 2022.	✓
(19) 3(2)(ii)	Period of Service of a Director During the year under review, there were no Directors whose tenure of service on the Board exceeded nine years as stipulated under the Direction No. 11 of 2007.	✓
(20) 3(2)(iii)	Appointment of an Employee as a Director The Board comprises of Two (02) Executive Directors, complying with the prescribed requirement of the CBSL Direction No. 11 of 2007.	✓
(21) 3(2)(iv)	Independent Non-Executive Directors The Board has Seven (07) Independent Directors out of Eleven (11) Directors which is well above the regulatory requirement. A Board approved procedure is in place for the appointment of Directors, including the appointment of Independent Directors complying the criteria given for independent directors in the direction.	✓

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
(22) 3(2)(v)	Alternate Directors There were no alternate Directors appointed during the year 2022.	✓
(23) 3(2)(vi)	Criteria for Non-Executive Directors Non-Executive Directors are persons with credible track records and have necessary skills and experience to bring an independent judgement on overall functions of the Board. The profiles of the Non-Executive Directors are detailed on pages 182 to 185.	✓
(24) 3(2)(vii)	More than half the quorum of Board Meetings to comprise Non-Executive Directors This requirement is strictly observed as evidenced by the attendance of the Board members at the meetings for the year 2022.	✓
(25) 3(2)(viii)	Identify Independent Non-Executive Directors in Communications and Disclose the Categories of Directors Independent Non-Executive Directors are expressly identified by specifying their individual directorship status in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of the Chairman, Executive/Non-Executive Directors and Independent/Non-Independent Directors are given on page 175 of the Corporate Governance Report.	✓
(26) 3(2)(ix)	Appointments to the Board The Board has established a Board Nomination Committee (BNC) to make recommendations regarding the appointment of new Directors. Accordingly, new Directors including the Executive Directors are appointed by the Board upon considering the recommendations of the BNC and the Bank's succession arrangements for the Board. A transparent procedure supports the appointment of Directors.	✓
(27) 3(2)(x)	Election of Directors Filling Casual Vacancies In accordance with the provisions in the Articles of Association and the CBSL Direction, Directors appointed to the Board after the last AGM will stand for election by the shareholders at the subsequent AGM. During the year under review, Mr Hiran Cabraal who was appointed to the Board w.e.f. 30th June 2022 will stand for election by shareholders at the 37th AGM to be held on 30th March 2023.	✓
(28) 3(2)(xi)	Communication of Reasons for Removal or Resignation of Director Resignations of Directors and the reasons for same are informed to the regulatory authorities as per the requirements of the CSE Listing Rules and the Companies Act No. 07 of 2007 together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders. During the year under review, Mr Deshal de Mel tendered his resignation with effect from 06th May 2022.	✓
(29) 3(2)(xii)	Prohibition of Directors or Employees of a Bank becoming a Director at another Bank The Board and the Board Nomination Committee take into account this requirement in their deliberations when considering appointments of Directors. The Employee Code of Conduct prohibits employees to be elected/nominated as a Director of another bank.	✓
3(3)	CRITERIA TO ASSESS FITNESS AND PROPRIETY OF DIRECTORS	
(30) 3(3)(i)	Retiring age of directors There are no Directors who are over Seventy (70) years of age.	✓
(31) 3(3)(ii)	Directors should not hold Directorships of more than 20 Companies None of the Sampath Bank Directors hold Directorships of more than Twenty (20) companies/entities/ institutions inclusive of Subsidiary Companies of the Bank.	✓
(32) 3(3)(iii)	Cooling-off period when appointing Directors or MD The Bank has complied with the directions applicable for cooling off period when appointing Mr Hiran Cabraal to the Board on 30th June 2022.	✓

CBSL Section	Principle, Compliance and Implementation	Complied
3(4)	MANAGEMENT FUNCTIONS DELEGATED BY THE BOARD	
(33) 3(4)(i)	All Directors to Understand and Study Delegation Arrangements The Board consciously delegates authority to perform different functions as it deems fit to appropriate officers of the management.	✓
(34) 3(4)(ii)	Extent of Delegation should not Hinder Board's Ability to Discharge its Functions The Board delegates authority to the Management to carry out certain duties from time to time, to an extent that such delegation does not hinder the Board's ability to discharge its functions within the provisions of the Bank's Articles of Association. The Management, who carries out duties on behalf of the Board under such delegated authority are required to report to the Board regularly on such matters attended by them.	✓
(35) 3(4)(iii)	Review Delegation Arrangements Periodically to Ensure Relevance to Operations of the Bank The Board reviews and approves the delegation arrangements which are in place, as and when required, and ensures that the extent of delegation addresses the needs of the Bank whilst enabling the Board to discharge its functions effectively.	✓
3(5)	THE CHAIRMAN AND MANAGING DIRECTOR	
(36) 3(5)(i)	Separation of Roles The roles of the Chairman and MD are separate and their respective duties are documented and approved by the Board.	✓
(37) 3(5)(ii)	Non-Executive Chairman and Appointment of a Senior Independent Director The Chairman is a Non-Executive, Non-Independent Director, hence the Board has appointed Mr Dilip de S Wijeyeratne as the Senior Independent Director (SID). This has been disclosed in the Annual Report, and a Board-approved Terms of Reference (TOR) of the SID is in place to ensure the independent element in decision making.	✓
(38) 3(5)(iii)	Disclosure of the Identity of the Chairman and MD and any Relationships among the Board Members The identity of the Chairman and MD are disclosed in the Annual Report on pages 182 to 185. There is no material financial, business or family relationships between the Chairman, MD and other members of the Board as disclosed on pages 182 to 185 and in Note 47 to the Financial Statements given on pages 347 to 350. Above disclosures are made as per the annual declarations and the Register of Directors' Interests which is updated regularly.	✓
(39) 3(5)(iv)	Chairman to provide leadership to the Board The Chairman leads the Board ensuring that it functions and discharges its responsibilities effectively. All key and appropriate issues are discussed by the Board in a timely manner. Aforementioned elements are assessed annually by the Board through the Performance Evaluation of the Board of Directors.	✓
(40) 3(5)(v)	Chairman's Responsibility for Agenda The Company Secretary draws up the agenda for the meetings in consultation with the Chairman.	✓
(41) 3(5)(vi)	Ensure that Directors are Properly Briefed and Provided with Adequate Information The Chairman ensures that the Board is adequately briefed and informed regarding matters arising at Board meetings. The following processes are in place to ensure the same: ✎ agenda and Board papers are circulated with adequate time for the Directors to go through the same; ✎ relevant members of the Management team are available for explanations and clarifications if required; ✎ management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank.	✓
(42) 3(5)(vii)	Encourage Active Participation by all Directors and Lead in Acting in the Interests of the Bank The Chairman encourages all Directors to make a full and active contribution in the best interest of the Bank. This is evident from the responses in the self-evaluation forms submitted by each Director at the year end.	✓

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
(43) 3(5)(viii)	Encourage Participation of Non-Executive Directors and Relationships between Non-Executive and Executive Directors The Chairman facilitates the effective contribution of Non-Executive Directors in particular and ensures constructive relations between Executive and Non-Executive Directors. Both Executive and Non-Executive Directors actively participate at Board Meetings. Nine (09) out of the Eleven (11) members of the Board are Non-Executive Directors. All Non-Executive Directors participate in Sub-Committees of the Board, ensuring proactive involvement in Bank matters.	✓
(44) 3(5)(ix)	Refrain from Direct Supervision of Key Management Personnel and Executive Duties The Chairman does not get involved in the supervision of KMPs or any other executive duties.	✓
(45) 3(5)(x)	Ensure Effective Communication with Shareholders The Chairman ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. The Board Shareholder Relations Committee has been established to ensure that there is effective communication with shareholders. Historically, all General Meetings have also witnessed the active participation of shareholders.	✓
(46) 3(5)(xi)	MD Functions as the Apex Executive in Charge of the Day-to-Day Operations The responsibility of day-to-day operations and business of the Bank have been delegated to the MD.	✓
3(6)	BOARD-APPOINTED COMMITTEES	
(47) 3(6)(i)	Establishing Board Sub-Committees, their Functions and Reporting Twelve (12) Board Sub-Committees have been established by the Board. Each Sub-Committee functions under the oversight of its respective Chair and as per the written Terms of Reference. The Company Secretary or his nominee serves as the Secretary to all Sub-Committees and maintains Minutes and records. The reports of the following Mandatory Board Sub-Committees are included in the Annual Report: ✎ Board Audit Committee on pages 190 to 193; ✎ Board Human Resources & Remuneration Committee on pages 194 and 195; ✎ Board Nomination Committee on pages 196 and 197; ✎ Board Integrated Risk Management Committee on pages 198 to 200; ✎ Board Related Party Transactions Review Committee on pages 201 and 202. The respective Chairs of the above Sub-Committees were present at the 36th AGM to clarify any matters that may be referred to them by the Chairman.	✓
(48) 3(6)(ii)	Board Audit Committee (BAC)	
	(a) The Chairman to be an Independent Non-Executive Director with Qualifications and Experience in Accountancy and/or Audit The Chairman of the Board Audit Committee, Mr Dilip de S Wijeyeratne is an Independent Non-Executive Director who is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK.	✓
	(b) Committee to Comprise Solely of Non-Executive Directors During the year under review, all the members of the BAC were Independent, Non-Executive Directors.	✓

CBSL Section	Principle, Compliance and Implementation	Complied
	(c) Functions of the Board Audit Committee In accordance with its TOR, the BAC has made the following recommendations on matters in connection with the: ➤ appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; ➤ implementation of the Central Bank guidelines issued to Auditors from time to time; ➤ application of the relevant accounting standards; ➤ determination of the service period, audit fee and any resignation or dismissal of the Auditor. ➤ the BAC ensures that the service period of the engagement of the External Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	✔
	(d) Review and Monitor External Auditor's Independence, Objectivity and the Effectiveness of the Audit Processes The BAC reviews and monitors the External Auditor's independence, objectivity and effectiveness of their audit processes in accordance with the applicable standards and best practices.	✔
	(e) Provision of Non-Audit Services by the External Auditor A Board-approved Policy on "Engagement of External Auditors for Non-Audit Services" is in place. When assigning non-audit services to External Auditors, BAC ensures the availability of required skills and experience and ensures that independence and/or objectivity will not be impaired. When such services are intended to be obtained from External Auditor, required approval is sought from the BAC in accordance with the regulations.	✔
	(f) Determine the Nature and Scope of Audit with the External Auditors The BAC discussed and finalised with the External Auditors, the nature and scope of the audit to ensure that it includes: ➤ an assessment of the Bank's compliance with the relevant Directions in relation to Corporate Governance and Internal Controls Over Financial Reporting; ➤ the preparation of financial statements for external purposes in accordance with relevant accounting principles and reporting obligations. As all audits within the group are carried out by the same External Auditor, there was no requirement to discuss arrangements for coordinating activities with other auditors.	✔
	(g) Review Financial Information of the Bank The BAC reviews the financial information of the Bank, in order to monitor the integrity of its Financial Statements, Annual Report, Accounts and Quarterly Reports prepared for disclosure, and the significant financial reporting judgments contained therein. When reviewing the Bank's annual report and accounts and quarterly reports before submission to the Board the committee, focuses on the following: ➤ major judgemental areas; ➤ any changes in accounting policies and practices; ➤ significant adjustments arising from the audit; ➤ the going concern assumption; ➤ the compliance with relevant accounting standards and other legal requirements.	✔
	(h) Discussions with External Auditor without the Executive Management on Interim and Final Audits The BAC discusses issues, problems and reservations (if any) arising from the interim and final audits with the External Auditors. The BAC met the External Auditors in the absence of key management personnel of the Bank on Two (02) occasions during the year 2022.	✔

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
	(i) Review of Management Letter and Bank's Response The BAC has reviewed the External Auditor's Management Letter and the Management's responses thereto.	✓
	(j) Review of Internal Audit Function The BAC has oversight of the Internal Audit function and has the following responsibilities with regard to the same which is clearly defined in the TOR of the BAC: ➤ reviewed and discussed with the Chief Internal Auditor (CIA) the Annual Audit Plan, the adequacy of the scope and functions and the resources of Internal Audit Department (IAD); ➤ the Audit Plan is approved by the BAC and the progress is reviewed and discussed in the BAC meetings. The BAC reviewed the internal audit reports along with the recommendations given by the IAD and ensured that appropriate actions are taken by the management to rectify the concerns raised by the IAD; ➤ performance of the CIA and the senior staff members of the IAD was reviewed by the committee; ➤ BAC recommends any appointment or termination of the head, senior staff members to the internal audit function. However, no appointment or termination of head, senior staff members was made during the year 2022; ➤ ensured that the BAC is apprised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor, and providing an opportunity to the resigning senior staff members to submit reasons for resigning; ➤ ensured that the internal audit function is independent of the other activities it audits and performed with impartiality, proficiency and due professional care.	✓
	(k) Internal Investigations The BAC has reviewed the major findings of internal investigations during the year under review and the Management's responses thereto. It has also ensured that the recommendations of such investigations have been implemented.	✓
	(l) Attendees at Meetings of the Board Audit Committee The Chief Financial Officer, the Chief Internal Auditor and a representative of the external auditors attend meetings as appropriate. Consultant to the BAC attends meetings whereas other Board members and the Managing Director may also attend meetings upon the invitation of the Committee. The BAC met the External Auditors without the Executive Directors being present on Two (02) occasions during the year 2022, in compliance with the requirement.	✓
	(m) Explicit Authority, Resources and Access to Information The BAC has: ➤ explicit authority to investigate into any matter within its terms of reference; ➤ the resources which it needs to do so; ➤ full access to information; ➤ authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. The TOR of the BAC clearly defines the authority and the responsibilities of the Committee in compliance with this Direction.	✓
	(n) Regular Meetings The BAC has regular meetings in compliance with its Terms of Reference and schedules additional meetings when required. Accordingly, the BAC met Fourteen (14) times during the year under review. This includes the meetings of the BAC with the External Auditors and the meetings of the Committee with the Internal Auditors. Members of the Board Audit Committee are served with due notice of issues to be discussed. The conclusions of the BAC deliberations are recorded in the minutes of the meetings maintained by the Company Secretary or his nominee.	✓

GRI 2-16,19,20

CBSL Section	Principle, Compliance and Implementation	Complied
	(o) Disclosures in Annual Report The Report of the BAC given on pages 190 to 193 includes the following: ➤ details of the activities of the BAC; ➤ number of BAC meetings held during the year; ➤ details of attendance of each individual Director at such meetings.	✓
	(p) Maintain Minutes of Meetings The Company Secretary, his nominee or Chief Internal Auditor acts as the Secretary to the BAC and maintains minutes of the meetings.	✓
	(q) Whistleblowing Policy and Relationship with External Auditor The Bank has a Board-approved Whistle Blowing Policy where a whistle-blower may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Company Secretary and the Chief Internal Auditor takes appropriate actions for all communications received in his/her office in this regard, including anonymous communications, to the Chairman of the BAC who addresses the issue in an appropriate manner. The Policy creates an environment of utmost confidentiality, trust and protection to all stakeholders who report irregularities in good faith and ensure that they will not be penalised or suffer any adverse treatment for doing so. Further, all employees are encouraged to blow the whistle to report on any form of suspected breaches relating to anti-corruption and/or bribery under the Policy on Anti Bribery and Corruption. The Board Audit Committee is the key representative body for overseeing the Bank's relations with the External Auditors and meets the External Auditors on a regular basis to discharge this function.	✓
(49)	3(6)(iii)	Board Human Resources And Remuneration Committee (BHRRC)
	(a) Policy to Determine the Remuneration of Directors, MD and KMPs A Board-approved policy to determine the "Directors' remuneration" and a Board-approved Policy on "Reward Management for KMPs" is in place. The term "Reward Management" includes salaries and other staff benefits including non-financial benefits offered by the Bank.	✓
	(b) Goals and Targets for the Directors, MD and KMPs Goals and targets of the MD and KMPs for the year 2022 were documented and approved by the BHRRC based on the objectives set for the year under review, whereas the existing process was further strengthened with the support of a globally recognised consultation firm. The Board approved Terms of Reference of each Board Sub-Committee elaborate the collective goals and targets of the Directors whereas Sub-committee wise targets are assigned to Directors based on the Terms of References of respective Sub-committees.	✓
	(c) Evaluation of the Performance of the MD and KMPs against the Set Targets and Goals and Determine the Basis for Revising Remuneration The performance evaluations of the MD and KMPs for the year ended 2021 were carried out during the year 2022. Performance evaluations of the MD and KMPs for the year ended 31st December 2022 will be reviewed by the Committee during the year 2023. Standard procedures are in place for this purpose, to ensure the consistency between the Bank's achievement and Industry standards.	✓
	(d) MD's Presence at BHRRC Meetings The MD attends BHRRC meetings by invitation. However, he was not present at meetings when matters relating to him were discussed during the year.	✓

CORPORATE GOVERNANCE

► GRI 2-12,20

CBSL Section	Principle, Compliance and Implementation	Complied
(50) 3(6)(iv)	Board Nomination Committee (BNC) (a) Appointment of Directors, MD and KMPs The BNC has implemented a Board-approved Policy on Selection, Nomination, Appointment and Election of Directors and a Board-approved Procedure on Selection and Appointment of CEO/MD and KMPs, in accordance with regulatory requirements. (b) Re-election of Directors The BNC makes recommendations regarding the re-election of current Directors who retire by rotation in terms of Article 87 of the Bank's Articles of Association taking into account, inter-alia, the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities. In accordance with this provision: following Directors will retire and offer themselves for re-election at the 37th Annual General Meeting: ➤ Mr Harsha Amarasekera ➤ Mrs Keshini Jayawardena ➤ Mr Vinod Hirdaramani following Directors were re-elected at the 36th Annual General Meeting: ➤ Mr Rushanka Silva ➤ Mr Dilip de S Wijeyeratne ➤ Mr Vajira Kulatilaka (c) Eligibility Criteria for Appointments to Key Managerial Positions including the MD The BNC has set certain eligibility criteria, including qualifications, experience and key attributes, to be considered for the appointment or promotion to key managerial positions as well as the position of MD. The BNC considers the applicable statutes and guidelines in setting the relevant criteria. (d) Fit and Proper Criteria for Directors, MD and KMPs The Bank obtained declarations and affidavits from Directors, MD and KMPs during the year as and when required and these were submitted to CBSL to determine that they are fit and proper persons to hold office as specified in the criteria given in Banking Act Direction No. 11 of 2007 and as set out in the statutes. (e) Succession Plan and New Expertise A Board-approved policy covering Succession Planning for retiring Directors and the MD is in place. In addition, Succession Plan for the KMPs is in place in line with the requirements. (f) Committee Chairman and Other Members The BNC comprises Six (06) members out of which Four (04) members, including the Chair are Independent, Non-Executive Directors. The MD attends meetings by invitation where necessary.	✓ ✓ ✓ ✓ ✓ ✓
(51) 3(6)(v)	Board Integrated Risk Management Committee (BIRMC) (a) Composition of BIRMC The BIRMC comprises of Four (04) Non-Executive Directors, Managing Director, Chief Risk Officer and Chief Compliance Officer. Other KMPs supervising credit, market, liquidity, operations, strategic risks, etc. are invited to attend the meetings on a regular basis. (b) Risk Assessment of the Bank, Subsidiary Companies and Associate Companies The policies on Credit Risk, Market Risk, Operations, Liquidity and Compliance Risk Management etc. recommended by the BIRMC and approved by the Board, provide the framework for the assessment and effective management of Bank-wide risks. Accordingly, the BIRMC discharges its responsibilities by periodically reviewing reports on pre-established risk indicators prepared by the Risk Management Unit. The BIRMC assesses all risks of the Bank on a monthly basis through Key Risk Indicators, Risk Dashboards and through Risk Assessment reports done for the Bank. The Bank has formed management committees to assess risks on a monthly/quarterly basis and any significant risk related finding are submitted for the BIRMC for the perusal of the Committee whereas the BIRMC minutes are tabled at the main Board.	✓ ✓

GRI 2-15

CBSL Section	Principle, Compliance and Implementation	Complied
	(c) Review the Adequacy and Effectiveness of Management Level Committees The BIRMC reviews the adequacy and the effectiveness of all management level committees including the Credit Policy, Risk and Portfolio Review Committee and the Assets-Liability Committee (ALCO) to address specific risks and to manage those risks within the laid down limits specified by the BIRMC as required by the Direction. The details of Management-levels Committees are given on page 178.	✓
	(d) Corrective Action to Mitigate Specific Risks Exceeding Prudential Levels The BIRMC takes prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent risk levels decided by BIRMC based on the Bank's policies and regulatory and supervisory requirements. The Risk Appetite Limits and Key Risk Indicators of the Bank are approved by the BIRMC and the Board and are monitored on a regular basis.	✓
	(e) Frequency of Meetings The BIRMC has regular meetings in compliance with its Terms of Reference and schedules additional meetings when required. The agenda covers matters pertaining to all aspects of risk management including updated Business Continuity Plans. The BIRMC met seven (07) times during the year.	✓
	(f) Officers Responsible for Failure to Identify Specific Risks or Implement Corrective Action BIRMC refers such instances, if any, to the Human Resources department in order to take prompt corrective actions as directed, in respect of the officers identified to be responsible for failure to identify specific risks.	✓
	(g) Risk Assessment Report to Board The Company Secretary submits summarised report of the high priority risks to the Board on a monthly basis, upon the confirmations of the respective departments, i.e. Risk, Compliance and the Information Security Departments.	✓
	(h) Compliance Function An Independent Compliance Department has been established to assess the Bank's compliance with laws, regulations and regulatory guidelines. In addition, the Compliance Department assesses the Bank's compliance with internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Chief Compliance Officer (CCO) who is a KMP of the Bank. CCO functionally reports to the BIRMC and is responsible for escalating the level of compliance of the Bank with Regulations, Laws and Internal Controls. The CCO submits Assurance Certificates on compliance with mandatory banking and other statutory requirements on a quarterly basis to BIRMC.	✓
3(7)	RELATED PARTY TRANSACTIONS	
(52) 3(7)(i)	Categories of Related Parties and Avoidance of Conflicts of Interest A duly approved documented process is in place for the identification of and dealing with categories of Related Parties and their transactions in order for the Bank to avoid any conflicts of interest that may arise from any transaction with the relevant parties and the same has been reviewed during the year. The avoidance of conflicts of interest is supported by the Board-approved Policy on Managing conflicts of Interest. Further, Directors and the KMPs are individually requested to declare their transactions with the Bank on a periodic basis.	✓
(53) 3(7)(ii)	Related Party Transactions Covered by Direction The following Related Party Transactions are covered in the monitoring process: ✎ grant of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation pursuant to Section 47 of the Banking Act No. 30 of 1988; ✎ creation of any liabilities of the Bank in the form of deposits, borrowings and investments; ✎ provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank; ✎ creation or maintenance of reporting lines and information flows between the Bank and any Related Parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such Related Parties.	✓

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
(54) 3(7)(iii)	Monitoring of Related Party Transactions Defined as More Favourable Treatment The Bank has implemented a proactive system to ensure that no favourable treatment is offered to Related Parties. The Procedure on Related Party Transactions prohibits transactions, which would grant related parties more favourable treatment than that accorded to other customers including the following: ✎ granting of "total net accommodation" to related parties, exceeding a prescribed percentage of the Bank's regulatory capital; ✎ charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; ✎ providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; ✎ providing services to or receiving services from a related party without an evaluation procedure; ✎ maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	✓
(55) 3(7)(iv)	Granting Accommodation to a Director or Close Relation of a Director Principles of the Direction are followed when granting accommodations to Directors or close relations of a Director.	✓
(56) 3(7)(v)	Accommodation Granted to a Person or a Close Relation of a Person or to any Concern in which the Person has Substantial Interest, who Subsequently are Appointed as Directors of the Bank The Procedure on "Related Party Transactions" and the Directive on "Monitoring Accommodation Granted to an Individual/Close Relations of an Individual or Concerns in which an Individual has a Substantial Interest when such Individual is Subsequently Appointed as a Director or when a Director Acquires a Substantial Interest in a Concern Subsequent to the Appointment as a Director" are in place to address the said requirement.	✓
(57) 3(7)(vi)	Favourable Treatment (Waiver of Fees and/or Commissions) or Accommodation to Bank Employees or their Close Relations No favourable treatment/accommodation is provided to Bank employees other than those provided under the schemes of staff benefits and as per the Board-approved Policy on Reward Management for Key Management Personnel. Employees of the Bank are informed through operational circulars to refrain from granting favourable treatment to employees or their close relations or to any concern in which an employee or close relation has a substantial interest except as provided in the Bank's Operational Guidelines and Directives.	✓
(58) 3(7)(vii)	Remission of Accommodation Subject to Monetary Board Approval The situation has not arisen in the Bank during the year under review and necessary operating instructions as stated above have been issued to prevent non-compliance with this requirement.	✓
3(8)	DISCLOSURES	
(59) 3(8)(i)	Publish Annual and Quarterly Financial Statements Annual audited Financial Statements and Quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable Accounting Standards.	✓
(60) 3(8)(ii)	Disclosures in Annual Report (a) A Statement to the Effect that the Annual Audited Financial Statements have been Prepared in line with Applicable Accounting Standards and Regulatory Requirements, Inclusive of Specific Disclosures A Statement to this effect is included in the Annual Report of the Board of Directors on the Affairs of the Company given on pages 221 to 231.	✓

GRI 2-15,19

CBSL
Section

Principle, Compliance and Implementation

Complied

(b) Report by the Board on the Bank's Internal Control Mechanism

The Annual Report includes the Directors' Statement on Internal Control over Financial Reporting given on pages 232 and 233, where the Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

(c) External Auditor's Certification on Effectiveness of the Internal Control Mechanism Referred in 3(8)(ii)(b)

The Board has obtained independent assurance from the External Auditors to confirm that effectiveness of the Bank's Internal Controls Over Financial Reporting system as per the 'Sri Lanka Standard on Assurance Engagements 3050'. This independent assurance report is published on page 234.

(d) Details of Directors

Details of Directors are given on pages 182 to 185.

Directors' interests in contracts with the Company are given below; (Including Executive Directors)

Category	Amount Rs 000
Loans	15,049
Deposits	790,406
Credit cards	4,629
Debentures	5,000
Interest income	4,383
Interest expense	42,198
Cash dividend paid	8,500
Aggregate value of remuneration/fee paid by the Bank	207,783
Post employment benefits paid	9,683

(e) Net Accommodation Granted to Each Category of Related Parties and as a Percentage of the Bank's Regulatory Capital

Related Party Transactions are given in Note 47 to the Financial Statements on pages 347 to 350.

Net accommodation granted to Related Parties are given below;

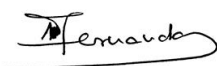
Category of related party transaction	As a % of regulatory capital of the Bank	Amount Rs 000
Directors and close family members	0.10	114,211
KMP & close family members	0.23	263,107
Subsidiaries	6.26	7,153,356
Shareholders owning material interest in the Bank	-	-
Concerns in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest	14.38	16,443,882

CORPORATE GOVERNANCE

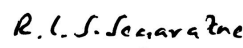
CBSL Section	Principle, Compliance and Implementation	Complied																
	(f) Aggregate Values of Remuneration Paid to, and Transactions with Key Management Personnel <table><tr><th>Nature of transaction</th><th>Amount Rs 000</th></tr><tr><td>Short-term employment benefits</td><td>624,659</td></tr><tr><td>Post-employment benefits</td><td>43,506</td></tr><tr><td>Loans & advance including credit cards</td><td>224,597</td></tr><tr><td>Deposit & investments</td><td>680,287</td></tr><tr><td>Interest income</td><td>17,567</td></tr><tr><td>Interest expense</td><td>62,426</td></tr><tr><td>Cash dividend paid</td><td>4,996</td></tr></table> The remuneration paid to, and transactions with Executive Directors are included in 3(8)(ii)(d) above.	Nature of transaction	Amount Rs 000	Short-term employment benefits	624,659	Post-employment benefits	43,506	Loans & advance including credit cards	224,597	Deposit & investments	680,287	Interest income	17,567	Interest expense	62,426	Cash dividend paid	4,996	
Nature of transaction	Amount Rs 000																	
Short-term employment benefits	624,659																	
Post-employment benefits	43,506																	
Loans & advance including credit cards	224,597																	
Deposit & investments	680,287																	
Interest income	17,567																	
Interest expense	62,426																	
Cash dividend paid	4,996																	
	(g) External Auditor's Certification of Compliance The findings presented in the Factual Findings Report of External Auditors, addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board. The recommendations made by the Auditors where relevant will be taken into consideration.																	
	(h) Report Confirming Compliance with Prudential Requirements, Regulations, Laws and Internal Controls The bank was levied an administrative penalty of Rs 1Mn by the Financial Intelligence Unit (FIU) for non-compliance with Section 9 (1) of the Financial Transactions Reporting Act No 06 of 2006 (FTRA) regarding the duty not to divulge information, as it was revealed that, there had been a breach in the Sampath Bank's process of filing of Suspicious Transactions with the FIU, and that the breach amounted to limited disclosures that should have been prevented by the Bank. As the corrective measure, the Bank is regularly conducting training sessions for its staff, regarding the application of the provisions of the Financial Transactions Reporting Act No 06 of 2006 and other rules and regulations issued by FIU.																	
	(i) Measures Taken to Rectify Non-Compliant Issues There were no lapses inviting supervisory concerns in the Bank's Risk Management System or non-compliance with these directions that have been pointed out by the Director of Bank Supervision of the CBSL required to be disclosed by the Bank during the year under review.																	
3(9)	TRANSITIONAL AND OTHER GENERAL PROVISIONS																	
	The Bank has complied with the transitional provisions, where applicable.																	



HARSHA AMARASEKERA
Chairman



NANDA FERNANDO
Managing Director



LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

GRI 2-12

The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL CODE - "the Code")

ICASL Code Reference	Principle, Compliance and Implementation	Complied
SECTION 1 – THE BANK		
A	DIRECTORS	
(1) A.1	THE BOARD	
	The Board comprises of Eleven (11) individuals from diverse specialisations and skill backgrounds. Of the Eleven, Nine (09) including the Chairman are Non-Executive Directors, the Managing Director (MD) and the Chief Financial Officer (CFO) are the only Two (02) Executive Directors, who represent the Corporate Management. The MD is delegated with the day-to-day functions, while the Board Sub-Committees are collectively responsible for facilitating a conducive business environment to support the effective performance of the Bank.	
(2) A.1.1	Regular Meetings Board meetings are held monthly whilst special Board meetings are convened as and when required. The meeting calendar detailing all Board and Board Sub-Committee meetings for the ensuing year is prepared well in advance and circulated to all Board members. The details of Board and mandatory Board Sub-Committee meetings for the year 2022 are given on page 175 of this Annual Report.	
(3) A.1.2	Roles and Responsibilities of The Board The Board is responsible for performance and conformance functions, out of which Strategic Planning and policy making are the key functions of the performance functions whereas Accountability and Executive monitoring are handled as Conformance Functions. Further, the Board monitors performance against agreed goals and Key Performance Indicators (KPIs). During the year, the Board reviewed the progress of the Strategic Plan for the year 2022 and approved the future strategies for the Bank. The Board has appointed Mr Harsha Amarasekera who is a Non-Independent, Non-Executive Director as the Chairman and Mr Dilip de S Wijeyeratne has been appointed as the Senior Independent Director to ensure greater independence in line with the regulatory requirements. The Managing Director and the Corporate Management team possess the necessary skills, knowledge and experience required to implement the strategy of the Bank. The Board Nomination Committee undertakes the responsibility for establishing an effective succession strategy with regard to the MD and Key Management Personnel (KMP). A Board approved Procedure is in place to facilitate the Selection and Appointment of the MD and KMPs. The budgets and the revolving Strategic Plan for the ensuing year are approved by the Board. At the review of the Strategic Plan and Budget for 2022, the compliance with the cost budgets was also reviewed. A Board-approved formal schedule of matters reserved to the Board for decision is in place. Further, Board has a process of delegating authority to the management in line with the provisions of the Bank's Memorandum and Articles of Association, where necessary.	

CORPORATE GOVERNANCE

► GRI 2-12,14,15

ICASL Code Reference	Principle, Compliance and Implementation	Complied
	The Bank has implemented multiple Firewalls and other systems to secure its internal Systems. In addition, the Bank's Information Security Department (ISD) reviews routine Vulnerability Assessments and Code Reviews to test the efficiency and integrity of these Information systems in safeguarding against external and internal breaches. The Bank also obtains the services of an external specialist to conduct quarterly Vulnerability Assessments and Annual Penetration Tests to identify vulnerabilities and determine possible threats in order to initiate necessary preventive actions. The ISD monitors Privilege Access using the latest Privilege Access Management (PAM) software. In 2022, Risk Assessments were conducted covering all departments and the selected Branches to identify potential information security risks and formulate appropriate risk treatment plans. Cross functional incident response team was appointed and granted authority for taking immediate action in the event of an information security breach to ensure business continuity and Information security. The Board Audit Committee (BAC) reviews Internal Audit reports submitted by the Internal Audit Department and monitors all follow up actions. Based on the assessment of Internal Control Over Financial Reporting (ICOFR) for 2022, the Directors confirmed that the Bank's ICOFR procedure is effective. The Board Audit Committee Report given on pages 190 to 193 contains a detailed account of the measures taken in this regard. A Board-approved Business Continuity Plan (BCP) is in place. The BCP is reviewed annually and updated to take into account any contextual changes in the internal and external operating environments. In 2022, a series of system simulations were carried out to ensure system readiness. The Bank established a Special Task Force to oversee the implementation of proper BCP arrangements in response to the fuel and power crises experienced in the country in 2022. The fast evolving situation was reviewed regularly by the Special Task Force with appropriate BCP strategies were implemented accordingly. An independent Risk Management Unit (RMU) is in place, headed by the Chief Risk Officer who functionally reports to the Board Integrated Risk Management Committee (BIRMC). The RMU is responsible for assessing and implementing appropriate mitigating action to effectively control the various risks encountered by the Bank and the Group in carrying out their respective businesses. Compliance with Laws, Regulations and Ethical Standards applicable to the Bank are set out in Corporate Governance Report on pages 168 - 181 and 432 - 466. The Articles of Association of the Bank require the Directors to make decisions, to protect the interests of all stakeholders including customers, shareholders, employees, the community, etc. Additionally, the Customer Charter, the Bank's HR Policy manual, the Policy on Managing Conflicts of Interest, the Board Shareholder Relations Committee as well as the Board Related Party Transactions Review Committee are in place to uphold the interests of these key stakeholders. The Board of Directors, both individually and collectively comply with best practices on economic, environmental and social topics whilst ensuring that the interest of all shareholder groups are considered when taking decisions.	

GRI 2-14

ICASL Code Reference	Principle, Compliance and Implementation	Complied
	➤ Economic Sustainability Please refer pages 244 to 409. ➤ The Environment Please refer pages 132 to 147. ➤ Labour Practice Please refer pages 101 to 113. ➤ Society Please refer pages 120 to 131. ➤ Product and Service Responsibility Please refer pages 116 to 119. ➤ Stakeholder identification, Engagement and Effective Communication Please refer pages 62 to 69. ➤ Sustainable Reporting and Disclosure Please refer pages 497 to 502. The Board Audit Committee and the Board respectively review and approve the Bank's accounting policies annually or sooner if required, to ensure that they are in line with the business model of the Bank, reflect current local and international accounting standards and industry best practices. The Board Strategic Planning Committee ensures that the revolving Strategic Plan relevant for the current year is reviewed on a periodic basis, in order to facilitate strategic realignment wherever and whenever deemed necessary or appropriate. The Board, prior to approving the Strategic Plan, considered all risks highlighted by the Risk Management Unit. Annual Audited Financial Statements and Quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable Accounting Standards. The Board is committed to fulfil its functions in line with the laws, regulations and good governance practices.	
(4) A.1.3	Availability of A Procedure for Directors to Obtain Independent Professional Advice at the Bank's Expense A Board-approved policy is in place, enabling Directors to seek and obtain independent professional advice when necessary.	✓
(5) A.1.4	(a) Directors' Access to Advice and Services of the Company Secretary, the Appointment and Removal of the Company Secretary As per the Board-approved policy providing Directors access to advice and services of the Company Secretary, all Directors have the opportunity to obtain the advice and services of the Company Secretary who is considered the KMP responsible for ensuring follow-up of Board procedures, compliance with relevant rules and regulations, directions and statutes. The Articles of Association of the Bank specifies the conditions for the appointment and removal of the Company Secretary. (b) Insurance Cover for Board of Directors and KMPs An insurance policy is in place in line with the regulatory requirements to cover the Board of Directors and KMPs of the Bank. The adequacy and effectiveness of insurance covers are reviewed periodically with the assistance of external consultants.	✓

CORPORATE GOVERNANCE

GRI 2-17

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(6) A.1.5	Independent Judgement of Board of Directors Directors exercise independent judgement in the effective discharge of their duties and responsibilities in matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standard of business conduct.	✓
(7) A.1.6	Dedicate Adequate Time and Effort to Matters of the Board and the Company Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated, generally seven days prior to the meeting. There is provision to circulate urgent papers closer to the meeting on an exceptional basis. Every Director dedicates adequate time and effort to Board matters. Directors who are also members of the Board Sub-Committees make a strong commitment to discharge their duties and responsibilities towards the affairs of the Bank.	✓
(8) A.1.7	One-Third of the Directors can call for a Resolution to be Presented to the Board where they feel it is in the Best Interest of the Company to do so A Board approved procedure is in place to permit any Director to include any matter in the Board and/or in a Sub-committee meeting agenda.	✓
(9) A.1.8	Training for Directors The Company Secretary, in consultation with the Chairman, recommends Directors to attend training sessions/seminars. The annual self-assessment by Directors also covers aspects on training to identify training needs for Directors. In addition, a formal Induction Programme is conducted for the newly appointed Directors. Additionally, the Board encourages knowledge sharing amongst the Directors. A dedicated knowledge sharing platform under the theme "Towards a Governance Culture" is in place to keep the Board apprised of key developments of Corporate Governance on monthly basis. The Directors are also informed on the important information on shareholders, including the movements in shareholding positions of the Bank's major shareholders. The Board being the highest governance body also acknowledges the importance of developing and enhancing its collective knowledge on economic, environmental and social topics. During the year 2022, the Directors attended the following training programmes focusing on both general aspects of directorship and matters specific to the industry. ➤ Evolution of Open Banking and how it is practiced globally today. ➤ Current economic condition. ➤ Overview of New Securities and Exchange Commission Act and its application to the Board of Directors. ➤ New changes introduced to the CSE Listing Rules. ➤ Issues in Sovereign Domestic Debt Restructuring. ➤ Awareness Training Session on "Current Economic Condition and Domestic Debt Restructuring". ➤ Awareness Session on Information Security. ➤ An Outlook of Debt Restructuring of Sri Lanka. ➤ High Level web conference on key aspects of AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) compliance for Board of Directors and Key Management Personnel of Licensed Banks and Licensed Finance Companies.	✓
(10) A.2	DIVISION OF RESPONSIBILITIES BETWEEN CHAIRMAN AND MANAGING DIRECTOR (MD) The positions of the Chairman and the MD have been separated in line with the regulatory requirements ensuring the balance of power and authority among the Bank's leadership. The Chairman is a Non-Executive Director whilst the MD serves as an Executive Director.	✓

GRI 2-9,11

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(11) A.3	CHAIRMAN'S ROLE The Chairman's functions and responsibilities are documented and duly approved by the Board in order to facilitate the effective discharge of Board functions.	✓
(12) A.3.1	Conduct Board Proceedings in a Proper Manner The routine agenda for Board Meetings is developed by the Chairman in consultation with all other Directors and the Company Secretary taking in to consideration matters relating to the Board Meeting covering all important areas under discussion. The agenda and the relevant papers for discussion are generally circulated seven days prior to the meeting by uploading the same via a secure link. Board papers are informative and any further information required by Directors are provided by the management, upon request. A Board-approved procedure is in place enabling all Directors to request inclusion of matters of concern in the agenda, while all Directors have access to KMPs should they need to seek information for discussions at Board Meetings. Directors also have access to past Board papers. Both Executive and Non – Executive Directors make effective contributions at meetings for the benefit of the Bank, offering their views, concerns and advice based on their respective field of expertise and their professional experience. The Code of Conduct and Governance Requirements for Directors and the Terms of Reference of each Board Sub-Committee spells out the Directors' duties and responsibilities and the standard of care expected from them. Board's composition being Nine (09) Non-Executive Directors and Two (02) Executive Directors, the required balance and independence in judgements is ensured and maintained. The Minutes of Board and Board Sub-Committee Meetings carry important concerns raised and views expressed by Directors individually to highlight how the Board has arrived at the decision in the deliberations as precisely as possible. The Board is aware of its responsibilities towards all stakeholders of the Bank and are in control of the affairs of the Bank.	✓
(13) A.4	FINANCIAL ACUMEN As described in the pages 182 to 185, a majority of Director of the Board are from a strong financial background, thus ensuring sufficient financial acumen within the Board on matters of finance. In addition, the Chairman of the BAC, Mr Dilip de S Wijeyeratne is an Independent, Non-Executive Director, an Associate member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member of the Chartered Institute of Management Accountants, UK.	✓
A.5	BOARD BALANCE	
(14) A.5.1	Non-Executive Directors of Sufficient Calibre and Number A majority of the Board comprises of Nine (09) Non-Executive Directors including the Chairman while both MD and CFO function as Executive Directors. The Non-Executive Directors are professionals/academics/business leaders, holding/having held senior positions in their respective fields who are deemed to be of sufficient and appropriate calibre. As the majority of the Board comprises Independent, Non-Executive Directors, their opinions and views carry significant weight in the Board decisions. Refer pages 182 to 185 for further details on Directors qualifications and experience.	✓
(15) A.5.2	Two-Thirds of the Non-Executive Directors should be Independent Seven (07) out of Nine (09) Non-Executive Directors of the Bank are Independent. Refer pages 182 to 185 for further details.	✓

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(16) A.5.3	Independence of Non-Executive Directors The Seven (07) Non-Executive Independent Directors are free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.	✓
(17) A.5.4	Non-Executive Director's Declaration on Independence Annual Declarations have been obtained from each Non-Executive Director as to their status of Independence/Non-Independence for the year 2022.	✓
(18) A.5.5	Annual Evaluation of Independence The Board carried out the annual evaluation of independence of the Directors based on the submission of their respective annual declarations.	✓
(19) A.5.6	Alternate Directors As per the Board-approved policy, the appointment of Alternate Directors to represent Directors at meetings can be done where necessary, subject to regulatory requirements and approvals. There were no alternate Directors appointed during the year 2022.	✓
(20) A.5.7	Senior Independent Director (SID) - Appointment and Meetings Since the Chairman of the Bank, Mr Harsha Amarasekera, is a Non-Independent Director, Mr Dilip de S Wijeyeratne has been appointed as the SID of the Board with effect from 06th May 2022 in place of former SID, Mr Deshal de Mel who resigned from the Board on the same date in order to ensure the independent element in decision making. The SID held Two (02) meetings with the Non-Executive Directors and One (01) meeting with the Executive Directors during the year 2022.	✓
(21) A.5.8	The SID is available for other Directors for confidential discussions and represents all shareholders at meetings	✓
(22) A.5.9	The Chairman held One (01) meeting with Non-Executive Directors, without Executive Directors being present during the year 2022	✓
(23) A.5.10	Recording of Directors' Concerns in Board Minutes When preparing minutes of the proceedings of a meeting, the concerns raised by each Director are clearly recorded together with the responses of the others, which are important for the final decision of the Board.	✓

GRI 2-10,17,18

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(24) A.6	SUPPLY OF RELEVANT INFORMATION	✓
	The Board has access to comprehensive, quantitative and qualitative information needed to enable them to effectively discharge their duties.	
(25) A.6.1	Directors are Provided with Timely Information and Properly Briefed on Issues Arising at Board Meetings The Management provides comprehensive information to Directors during the monthly Board meetings. The Directors also have free and open access to management at all levels in order to obtain further information or clarify any concerns they may have. All Directors are adequately briefed on matters arising at Board meetings through comprehensive Board Papers. Additionally, the relevant members of the Management team are on standby for further clarifications as may be required by Directors or will make presentations at Board meetings where necessary. Any Director who was unable to attend a meeting is updated on proceedings prior to the next meeting through: ➤ formally documented minutes of meetings; ➤ a separate document on matters arising out of minutes highlighting the items which need to be completed and need follow-up actions of the previous meetings (This is taken up immediately after confirmation of minutes); ➤ archived minutes and Board papers accessible electronically at the convenience of the Directors.	✓
(26) A.6.2	Board Papers and Agenda to be Circulated Seven Days Prior to Meetings As described above, Board papers including the agenda are circulated generally seven days prior to the meeting. Adequate provisions are in place for circulation of urgent papers and/or papers on highly sensitive matters with a shorter notice and also for approval of matters by circulation, but such instances are the exception and not the rule. Further, minutes of Board meetings are generally provided within the stipulated period.	✓
(27) A.7	APPOINTMENTS TO THE BOARD	✓
	There is a formal and transparent procedure for the appointment of New directors to the Board through an Established Board Nomination Committee (BNC).	
(28) A.7.1	Board Nomination Committee Duties and the membership of the Board Nomination Committee is given on pages 196 and 197 of the Annual Report. New Directors (both Executive and Non-Executive) are appointed by the Board on the recommendation of the BNC. A Board-approved Policy on Selection, Nomination, Appointment and Election of Directors which is in place to support this process.	✓
(29) A.7.2	Annually Assessment of Board Composition The Board, on the recommendation of the BNC, considers the requirement of additional skills, knowledge and expertise to the Board as and when required. Further, the Board annually assesses its composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Bank.	✓
(30) A.7.3	Disclosure of Information to Shareholders upon Appointment of New Directors All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange, together with brief resumes of such Directors. Such announcements set out the fields of the respective Director's expertise, his/her directorships in other companies, the number of shares he/she holds in the Bank, whether he/she is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director. ➤ In 2022, the appointment of Mr Hiran Cabraal was announced to the public in line with the aforesaid requirement. ➤ The profiles of the current Directors are given on pages 182 to 185 in the Annual Report.	✓

CORPORATE GOVERNANCE

GRI 2-18

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(31) A.8	RE-ELECTION As specified in the Bank's Articles of Association, one-third of the Directors retire at each Annual General Meeting and offer themselves for re-election. Such Directors who retire are those who have held office for the longest period since their last election/appointment. In accordance with this provision: following Directors will retire and offer themselves for re-election at the 37th Annual General Meeting: ➤ Mr Harsha Amarasekera ➤ Mrs Keshini Jayawardena ➤ Mr Vinod Hirdaramani following Directors were re-elected at the 36th Annual General Meeting: ➤ Mr Rushanka Silva ➤ Mr Dilip de S Wijeyeratne ➤ Mr Vajira Kulatilaka A brief resume of each Director standing for re-election is given on pages 182 to 185 in the Annual Report.	✓
(32) A.8.1	Non-Executive Directors are Appointed for Specified Terms Subject to Re-Election Non-Executive Directors are appointed to the Board for specific terms subject to re-election based on the regulatory requirements.	✓
(33) A.8.2	Election of the Directors All Directors including the Chairman stand for election by shareholders at the Annual General Meetings at first opportunity after their Appointment in terms of Article no. 93 of Articles of Association of the Bank. Accordingly, Mr Hiran Cabraal who was appointed to the Board on 30th June 2022 to be elected at the 37th Annual General Meeting by the Shareholders.	✓
(34) A.8.3	Resignation of a Director In the event that a Director wishes to resign from his/her position as a Director, he/she is expected to provide a written communication to the Board, tendering his/her resignation along with reasons for such resignation. Such requests would be duly tabled at the immediately succeeding Board Meeting. Mr Deshal de Mel tendered his resignation from the Board with effect from 06th May 2022 prior to the conclusion of his appointed term.	✓
A.9	APPRAISAL OF BOARD PERFORMANCE	
(35) A.9.1	Annual Assessment of Board and Sub-Committee Performance Each Director of the Board annually appraises the Board's own performance to ensure that the Board is discharging its responsibilities satisfactorily. This process requires each Director to fill a Board Performance Evaluation Form in line with the provisions of the relevant section of the Code. The responses are reviewed by the Company Secretary who compiles a report which is submitted for discussion at a Board Meeting. The same process is followed for all Board Sub-Committees.	✓
(36) A.9.2	Annual Self-evaluation of Board and Sub-Committee Performance The Board undertakes an annual self-evaluation of its own performance and the responses are retained by the Company Secretary.	✓
(37) A.9.3	Process to Review Directors' Performance at the Time of Re-Election A Self Review process to ascertain the extent of the contribution, participation and engagement of each Director is conducted in parallel with the Board Performance Evaluation by the Directors.	✓
(38) A.9.4	Disclosure of the Method of Appraisal of the Board and Board Sub-Committee Performance As explained in A.9.1, A.9.2 and A.9.3 above.	✓
(39) A.10	DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS Shareholders are kept advised of relevant details in respect of Directors, as and when required.	✓

► GRI 2-18,19,20

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(40) A.10.1	Annual Report Discloses the Following Information Relating to Directors Profiles including name, qualifications, expertise, Executive/Non-Executive and Independence/Non-Independence status, Membership of Directors in Board Sub-Committees, companies and other entities in which each Director serve as a Board member and key appointments are given on pages 182 to 185. ↳ Related Party Transactions are given on pages 347 to 350. ↳ Directors' Interests in Contracts are given in page 231. ↳ Director's attendance at Board Meetings and Board Sub-Committee meetings are given on page 175.	✓
(41) A.11	APPRAISAL OF MANAGING DIRECTOR (MD) The Board annually assesses the performance of the MD.	✓
(42) A.11.1	Set Reasonable Financial and Non-Financial Targets to be met by the MD The Board at the beginning of 2022, discussed and set financial and non-financial targets to be achieved during the year by the MD with reference to the short, medium and long-term objectives of the Bank.	✓
(43) A.11.2	Evaluate Performance of the MD with Reference to Targets The performance evaluation of the MD for 2021 was carried out by the Board Human Resources and Remuneration Committee with reference to the targets and goals achieved by the Bank which were reported to the Board. The Board expressed its satisfaction at the MD's level of performance during 2021.	✓
B	DIRECTORS' REMUNERATION	
B.1	REMUNERATION PROCEDURE	
(44) B.1.1	Appointment of a Remuneration Committee The Board has established a Board Human Resources and Remuneration Committee (BHRRC) to develop policies and recommend remuneration for the Directors, the MD and KMPs respectively for approval by the Board. Further information regarding the BHRRC is given in pages 194 and 195.	✓
(45) B.1.2 & B.1.3	Composition and Chairman of Board Human Resources and Remuneration Committee The composition of the BHRRC as at 31st December 2022 was in line with the regulatory as well as required standards. The composition of the BHRRC is given on pages 194 and 195 of this report.	✓
(46) B.1.4 & B.1.5	Remuneration for Executive and Non-Executive Directors Board approved Policies on "Directors' Remuneration" and "Reward Management Policy for KMPs" are in place to determine and govern the remuneration of Executive and Non-Executive Directors.	✓
B.2	THE LEVEL AND MAKE UP OF REMUNERATION	
(47) B.2.1 & B.2.2	Remuneration for Executive Directors should Attract, Retain and Motivate Remuneration for Executive Directors is determined by the BHRRC and is designed to attract, retain and motivate Executive Directors.	✓
(48) B.2.3	Positioning Company Remuneration Levels Relative to Other Companies The BHRRC reviews the Bank's remuneration levels vis-à-vis industry standards and other corporate benchmarks where necessary.	✓
(49) B.2.4	Sensitivity of the Remuneration Committee to Remuneration and Employment Conditions When considering employee incentives, the BHRRC is mindful of the comparative employment conditions and considers the nature and extent of responsibilities, the work volume and the level of performance against the pre-determined targets.	✓

CORPORATE GOVERNANCE

► GRI 2-16,19

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(50) B.2.5	Performance Related Elements of Remuneration for Executive Directors Extremely challenging, but transparent performance related elements are part of the remuneration applicable for Executive Directors. It has been designed in a manner enabling Executive Directors to align their interest with that of the Bank and main stakeholders and to provide such Directors appropriate incentives to perform at the highest level. These performance related elements are approved by the Board considering the recommendations made by the BHRRC.	✓
(51) B.2.6	Share Option Schemes No share option scheme was implemented or introduced during 2022.	✓
(52) B.2.7	Designing Schemes of Performance Related Remuneration Team based performance related remuneration has been in force in the Bank since 2016 and applies to all employees. Under this scheme, no performance related remuneration is granted in the retrospect.	✓
(53) B.2.8 & B.2.9	Early Termination of Directorship No Contract for Services has been entered into by the Bank with its Non-Executive Directors. The term of a Director (whether Executive or Non-Executive) would end under the circumstances described in the Board-approved Procedure for Selection, Nomination, Appointment and Election of Directors. No compensation is payable by the Bank to its Non-Executive Directors on "early termination" of term for any reason whatsoever. This is supported by the Board-approved Directors' Remuneration Policy which is in place. The terms of employment of the Executive Directors who are employees of the Bank including the MD, are governed by their respective Contracts of Employment.	✓
(54) B.2.10	Levels of Remuneration for Non-Executive Directors The Board as a whole determines the levels of remuneration for Non-Executive Directors taking into account, the time, commitment and responsibilities associated with their role and with due consideration of industry best practices. Remuneration for Non-Executive Directors does not include share option schemes.	✓
B.3	DISCLOSURE OF REMUNERATION	
(55) B.3.1	Disclosures on Board Human Resource and Remuneration Committee and Aggregate Remuneration The composition of the BHRRC and its report is given on pages 194 and 195. The aggregate remuneration paid to Executive and Non-Executive Directors during the year under review, is given in Note 47.3.1 to the Financial Statements on page 347.	✓
C	RELATIONS WITH SHAREHOLDERS	
(56) C.1	CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS The Annual General Meeting is the main forum for interact between shareholders and the Board. The 36th AGM was live streamed from the Bank's Head Office to shareholders without any disruptions, via "Zoom" video communications app.	✓
(57) C.1.1	Notice of the AGM and the related papers The Notice of the AGM and the other papers related thereto, are duly circulated to all shareholders, 15 working days prior to the AGM.	✓
(58) C.1.2	Adoption of Separate Resolution and Count of all Proxy Votes Lodged Separate resolutions are proposed and adopted on each substantial issue at the AGM. All proxy votes lodged, together with the votes of shareholders who participated at the AGM are considered for each resolution. Any votes withheld were not considered in determining the number of votes for and against each resolution.	✓

GRI 2-16

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(59) C.1.3	To Ensure that all Valid Proxy Appointments Received for General Meetings are Properly Recorded and Counted The Bank duly maintains a register where the Proxies received are registered. The register is closed on the proxy submission deadline specified in the Notice of Meeting. The number of votes received for and against each resolution is announced at the relevant General Meeting. At the meeting, for adoption of each resolution, the Chairman, in addition to the details of the Proxies registered, calls for a vote in line with the established practices followed by the announcement as to whether the resolution is carried or not.	✓
(60) C.1.4	Availability of mandatory Board Sub-Committee Chairpersons and Senior Independent Director at the AGM The Chairs' of all mandatory Board Sub-Committees and the Senior Independent Director were available at the 36th AGM to answer questions if so requested by the Chairman.	✓
(61) C.1.5	Circulation of Summary of the Procedures governing voting at General Meeting along with the Notice of General Meeting The procedure of governing voting at the meeting is properly briefed to the shareholders along with the Notice of meeting.	✓
(62) C.1.5	Summary of Procedures Governing Voting at the AGM A summary of the procedure governing voting at the AGM is provided in the Form of Proxy, which is circulated to shareholders 15 working days prior to the AGM.	✓
C.2	EFFECTIVE COMMUNICATION WITH SHAREHOLDERS	
(63) C.2.1	Availability of a channel to Reach all Shareholders of the Company for Timely Dissemination of Information The Bank's Annual Report, Interim Financial Statements and all other material information is made available for download on the corporate website (www.sampath.lk). These are posted on the website as soon as possible and practical upon releasing the same to the Colombo Stock Exchange. All public disclosures (immediate or otherwise) promptly reach the shareholders through the Market Announcements made by the Bank. The Bank is committed to provide fair and transparent disclosures with emphasis on the integrity, accuracy, timeliness and relevance of the information provided. In addition, the Board has appointed a Sub-Committee on Shareholder Relations to identify and address shareholders' concerns. Sampath Bank is the first listed entity in Sri Lanka to form such a Committee. Additionally, the AGM also serves as a platform for the Bank to engage with its shareholders. Sampath Bank has a proud history of well attended AGMs where shareholders take an active role in exercising their rights in all forms.	✓
(64) C.2.2 & C.2.3	Policy and Methodology for Communication with Shareholders A Board-approved Policy on Communication is in place, in which the provisions for communicating with shareholders are specifically addressed. The mechanism for implementing the said Policy is clearly stated under the "Policy Implementation Mechanism" which spells out the responsibilities of different officers/categories of officers, with regard to communication with different categories of stakeholders.	✓

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(65) C.2.4 & C.2.6	Company Secretary as Contact Person in Relation to Shareholder Matters Shareholders are duly notified that any communication/correspondence with the Bank should be through the Company Secretary. They may provide their comments and suggestions to the Directors or Management through the Company Secretary. The contact information of the Company Secretary is provided in the Annual Report. Additionally, shareholders are at liberty even to communicate directly with any of the Board Members. They may, at any time, direct questions, or request for publicly available information from the Directors or management of the Bank.	✓
(66) C.2.5 & C.2.7	Process to Make all Directors Aware of Major Issues and Concerns of Shareholders and Process of Responding to Shareholder The Company Secretary takes appropriate actions based on the concerns/requests received by the shareholders.	✓
(67) C.3	MAJOR AND MATERIAL TRANSACTIONS Disclosures to shareholders in terms of the Companies Act and Regulations issued under the Securities and Exchange Commission of Sri Lanka Act and Colombo Stock Exchange Regulations.	✓
(68) C.3.1 & C.3.2	Disclosure of Major Transactions The Bank's Procedure on Related Party Transactions dictates mandatory public disclosure of any major Related Party Transaction or a series of such transactions the Bank is about to engage in, of which the value is greater than One Third of the assets of the Bank, requiring the approval of the shareholders by an Ordinary Resolution thereto. In terms of Section 185 of the Companies Act, any major transaction proposed to be entered into by the Bank too requires approval of the shareholders by virtue of a special resolution, with due notice to the public given through market announcements. During the year under review, the Bank did not engage in or commit to any "Major Transaction" which materially affected the Bank's net asset base, warranting neither such disclosure nor such approval by the shareholders.	✓
D	ACCOUNTABILITY AND AUDIT	
(69) D.1	FINANCIAL AND BUSINESS REPORTING (THE ANNUAL REPORT) The Annual Report aims to present a balanced and an understandable assessment of the Bank's financial position, performance, business model, governance structure, risk management, internal controls as well as the challenges, opportunities and future prospects. The Bank's position and prospects have been discussed in detail in the following sections of this Annual Report. ➤ Chairman's Message is given on pages 30 to 33. ➤ Managing Director's Review is given on pages 34 to 41. ➤ Management Discussion and Analysis are given on pages 73 to 165.	✓
(70) D.1.1	Board's Responsibility in Financial Reporting The Financial Statements prepared in accordance with the relevant accounting standards, laws and regulations provide true and fair assessment of the financial position of the Bank. These Financial Statements are given on pages 244 to 409 in this Annual Report.	✓

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(71) D.1.2	Interim Reports, Price-Sensitive Public Reports, Regulatory Reports and Statutory Information Requirements Interim reports for each quarter are published within the timelines as stipulated by the relevant regulatory authorities. The information included in the interim reports enable shareholders to gain an understanding of the state of affairs of the Bank. Reports required by the regulators including the Central Bank of Sri Lanka, the Department of Inland Revenue, the Registrar of Companies and the Colombo Stock Exchange are all filed in a timely manner in compliance with the relevant statutory requirements. These reports provide sufficient information for stakeholders to obtain a balanced assessment of the Banks operations.	✔
(72) D.1.3	Declaration made by the Managing Director and Chief Financial Officer in Maintaining Accurate Financial Records in Compliance with the Appropriate Accounting Standards The Managing Director's and the Chief Financial Officer's Responsibility Statement is given on pages 235 and 236 of this Annual Report.	✔
(73) D.1.4	Declaration in Annual Report of the Board of Directors on the Affairs of the Company The Annual Report of the Board of Directors on the Affairs of the Company on pages 221 to 231 contains the declarations as required by the Code.	✔
(74) D.1.5	Responsibilities of the Board for the Preparation and Presentation of Financial Statements and Statement by the Auditors about their Reporting Responsibilities The Statement of Directors' Responsibility for Financial Reporting and Report of the Auditors which includes a statement about their reporting responsibilities are provided on pages 237 to 238 and 239 to 242 respectively.	✔
(75) D.1.6	Inclusion of a Management Discussion and Analysis The Management Discussion and Analysis contained in pages 73 to 165 covers the information specified in the Code which include the following: ➤ Business Model ➤ Industry Structure and Developments ➤ Opportunities and Threats ➤ Risk Management ➤ Internal Control Systems and their Adequacy ➤ Governance ➤ Stakeholder Relationships ➤ Social and Environmental Protection Activities Carried out by the Bank ➤ Financial Performance ➤ Investment in Physical and Intellectual Capital ➤ Material Developments in Human Resources, Industrial Relations and Prospects for the Future	✔
(76) D.1.7	Notify Shareholders in case Net Assets of the Bank Fall Below 50% This situation did not arise during the year under review. However, in the event the need arises, the Bank would have duly notified the shareholders in line with applicable laws.	✔

CORPORATE GOVERNANCE

GRI 2-14,15

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(77) D.1.8	Related Party Transactions A Board-approved and formally documented process is in place for identifying and dealing with Related Party Transactions. A mechanism is also in place to prevent the Bank from granting favourable treatment to Related Parties. Further, to prevent any conflict of interest in this regard, a Board approved Policy on Managing Conflicts of Interest is also in place. An effective and comprehensive Internal Control framework for identifying, recording and disclosing Related Party Transactions is also in place. In addition, a procedure has been issued explaining the methodology to be followed in granting accommodation to Directors or to close relations of Directors, or to concerns in which Directors may have substantial interest to avoid any favourable treatment. Directors and KMPs are required to submit declarations disclosing their transactions with the Bank and the Group as and when required. All Related Party Transactions as defined by the Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 47 to the Financial Statements on pages 347 to 350.	✓
D.2	RISK MANAGEMENT AND INTERNAL CONTROL	
(78) D.2.1	Board's Responsibility to Monitor the Company's Risk Management and Internal Control System The Board's responsibility for and oversight of Risk Management is explained in Risk Management Report in Risk and Governance Section and the Directors' statement on Internal Control Over Financial Reporting on pages 204 to 217 and 232 to 233 respectively.	✓
(79) D.2.2	Confirmation by the Directors on Carrying out a Robust Assessment of the Principle Risks faced by the Bank The Risk Management Report and the Directors' statement on Internal Control Over Financial Reporting on pages 204 to 217 and 232 to 233 respectively, provide all relevant information in this regard.	✓
(80) D.2.3	Need for an Internal Audit Function The Bank has established an Internal Audit function headed by the Chief Internal Auditor who operates independently and reports directly to the Board Audit Committee. The Board Audit Committee as the main oversight body in charge of the Internal Audit function, regularly reviews the work of the Internal Audit team.	✓
(81) D.2.4	Review of the Process and Effectiveness of Risk Management and Internal Control by the Audit Committee The Board is responsible for formulating and implementing appropriate and adequate Internal Control Systems. The Board Audit Committee is responsible to the Board for ensuring that the system of Internal Controls are sufficient and effective. A Separate Board Risk Committee is in place to monitor the overall risk profile of the Bank.	✓
(82) D.2.5	The Statement of Internal Control Directors' Statement on Internal Control over the Financial Reporting is given on pages 232 and 233.	✓
D.3,	BOARD AUDIT COMMITTEE	
(83) D.3.1, D.3.2 & D.3.3	Since 1997, the Bank has established the Board Audit Committee in keeping with practices of good governance. The principal responsibilities of the Board Audit Committee include oversight over Financial Reporting, Internal Controls and monitoring Auditor Independence. The duties of the Board Audit Committee include providing assurances to the Board on the efficacy of the Banks' financial processes and integrity of the financial reports as well as for monitoring the performance, objectivity and independence of the External Auditors and reviewing the work of the Internal Audit function. The Board Audit Committee Report is given on pages 190 to 193 in the Annual Report.	✓

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ICASL Code Reference	Principle, Compliance and Implementation	Complied
(84) D.4	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE The Board has Established the Board Related Party Transactions Review Committee in Compliance with the Listing Rules issued by the Colombo Stock Exchange.	✓
(85) D.4.1	Identification of Related Parties and Related Party Transactions The Bank identifies "Related Parties" and "Related Party Transactions" as defined by LKAS 24 and as per the Banking Act Direction No. 11 of 2007 issued by CBSL.	✓
(86) D.4.2 & D.4.3	Composition and the Terms of Reference of the Board Related Party Transactions Review Committee (BRPTRC) The BRPTRC Report which is given on pages 201 and 202 in this Annual Report provides the required information.	✓
D.5	CODE OF BUSINESS CONDUCT AND ETHICS	
(87) D.5.1	Code of Business Conduct and Ethics for Directors and Staff The Code of Conduct and Governance Requirements for Directors, the Code of Conduct for Key Management Personnel and the Code of Conduct for other employees are all in place to ensure compliance with the provisions of the Code of Conduct and Ethics. These guidelines are reviewed periodically and updated in keeping with the latest developments. In addition, the Policy on Anti Bribery Corruption and the Policy on Accepting and Presenting of Gifts and Favours is in place to ensure the Bank's commitment towards anti-corruption practices.	✓
(88) D.5.2	Ensure that Material and Price Sensitive Information are Promptly Identified and Reported A process is in place to ensure prompt disclosure of price sensitive and material information to the public. As per the Board-approved Policy on Communication, the responsibility of making market announcements of price sensitive information lies with the Company Secretary.	✓
(89) D.5.3	Policy and Process for Monitoring and Disclosure of Share Purchase A process is in place to monitor the share transactions of the Directors and KMPs on a timely manner.	✓
(90) D.5.4	Chairman's Affirmation The Chairman's affirmation with regard to introduction of a Bank-wide Code of Conduct and Ethics, the Status of Compliance with same and his awareness of any violations thereof is given on pages 168 and 169 of this Annual Report.	✓
D.6	CORPORATE GOVERNANCE DISCLOSURES	✓
(91) D.6.1	The Corporate Governance Report given on pages 168 to 181 and 432 to 466 provides information regarding Corporate Governance practices in the Bank which are in compliance with the: ➤ Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka; ➤ Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the CBSL; ➤ requirements of Section 7.6 of the Listing rules of the Colombo Stock Exchange.	

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
SECTION 2 – SHAREHOLDERS		
E	INSTITUTIONAL INVESTORS	
(92) E.1	SHAREHOLDER VOTING - BANK'S RESPONSIBILITY TO ENCOURAGE THE INSTITUTIONAL INVESTORS TO USE THEIR VOTE	✓
	The Bank's Institutional Investors as well as other Investors have throughout exercised their votes enthusiastically, expressing candid preferences and are encouraged to express their views freely. The Bank has a history of active shareholder involvement and participation at general meetings.	
(93) E.1.1	Regular and Structured Dialogue with Shareholders	✓
	The Bank prides itself on being the first listed company which has taken the initiative to form a Board Sub-Committee on Shareholder Relations, with the objective of maintaining a solid and fruitful dialogue with shareholders and to ensure the views of shareholders are communicated to the Board, where necessary.	
(94) E.2	EVALUATION OF GOVERNANCE DISCLOSURES	✓
	Institutional investors are kept apprised of the Bank's governance practices through the Annual Report and any new initiatives are highlighted at general meetings to ensure that due weightage is given to good corporate governance.	
F	OTHER INVESTORS	
(95) F.1	INVESTING/DIVESTING DECISION	✓
	The Annual Report contains sufficient information for individual shareholders as well as all potential investors to carry out their own analysis. This, together with the interim financial statements published each quarter, provide sufficient information to enable individual shareholders to make informed judgements regarding the Bank's performance and future prospects.	
	Additionally, a separate part of the Bank's website is dedicated to Investor Relations which provides relevant information online to all investors.	
	Shareholders can contact the Company Secretary for further information if required. Meanwhile, Circulars issued to Shareholders from time to time emphasise the importance of seeking independent advice prior to making any particular investment.	
(96) F.2	SHAREHOLDER VOTING	✓
	It is a tradition at the Bank to encourage individual shareholders to participate and vote at any General Meeting. Additionally, they are encouraged to participate in the Bank's affairs by submitting proposals through the Stakeholder Feedback Forms included along with the Annual Report.	
	The 36th AGM was live streamed from the Bank's Head Office to shareholders without any disruptions, enabling shareholders to interact with the proceedings of the meeting and vote on resolutions on each agenda item remotely via "eBallot", a leading global online voting platform.	

ICASL Code Reference	Principle, Compliance and Implementation	Complied
G	INTERNET OF THINGS AND CYBER SECURITY	
(97) G.1	PROCESS TO IDENTIFY HOW THE EXTERNAL IT DEVICES COULD CONNECT TO THE ORGANISATION'S NETWORK Authorised Officers perform risk assessments to determine whether information processing systems require equipment identification, (e.g. attaching identifiers that indicate which networks the device is allowed to access). Additional physical access controls are also implemented to maintain the security of the identifier. The use of non-authorised modems or any other remote access solutions are strictly prohibited unless written approval has been obtained. All devices connected/attached to the Bank's infrastructure are authorised by Network Access Controller (NAC). Any device which is not authorised by NAC will not be able to access the network. Only legitimate devices are authorised by network administrators. Remote access is granted to users with a justifiable business requirement, while access points into the Bank's ecosystem are regularly assessed with any changes formally approved. In addition, the Bank has appointed a Data Protection Officer (DPO) to comply with Data Protection Act (DPA) No. 09 of 2022 and protect confidentiality and privacy with regards to the Personally Identifiable Information (PII). A cross functional management committee (Data Dissemination Committee – DDC) was formed to manage and evaluate information shared by the Bank internally and externally.	✓
(98) G.2	APPOINTMENT OF A CHIEF INFORMATION SECURITY OFFICER (CISO) The Bank has appointed a Chief Information Security Officer (CISO), who reports directly to the Managing Director. The CISO is tasked with determining the Bank's sensitivity and risk appetite towards information security threats at any given time.	✓
(99) G.3	ALLOCATION OF ADEQUATE TIME ON THE BOARD MEETING AGENDA FOR DISCUSSION ON CYBER RISK MANAGEMENT The Board IT Committee has been established to provide oversight for all IT related matters, including to review and recommend the IT strategic plan, policies, expenditure and budgets and IT security requirements of the Bank. Based on the requirement, adequate time is allocated during the Board Meetings to discuss "Cyber Risk" in detail. During the year under review, the Board participated in Cyber Security Awareness sessions as given on page 178. The Information Security Committee (ISC), is a cross functional, management level committee that has been formed to oversee both strategic and operational aspects of Information Security and report on such matters to the Board Integrated Risk Management Committee (BIRMC) on a quarterly basis.	✓
(100) G.4	INDEPENDENT PERIODIC REVIEW ON THE EFFECTIVENESS OF THE CYBER SECURITY RISK MANAGEMENT AND THE SCOPE AND FREQUENCY OF THE REVIEW The Bank has obtained the recertification of ISO 27001:2013 for the period from 2022-2025. The annual internal audit and a surveillance audit which are mandatory requirements to continue with the ISO 27001 Certification, were carried out during the course of 2022. In addition, the Bank conducts periodic Cyber Security Drills to build Information Security Awareness among the staff members. A Bank wide Information Security Risk Assessment Review was conducted in 2022 with the support of an independent third-party.	✓
(101) G.5	DISCLOSURE OF THE PROCESS TO IDENTIFY AND MANAGE CYBER SECURITY RISKS The required disclosure is made on pages 204 to 217 in this Annual Report.	✓

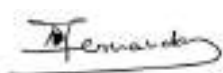
CORPORATE GOVERNANCE

GRI 2-12,14,17,18

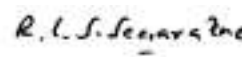
ICASL Code Reference	Principle, Compliance and Implementation	Complied
H	ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)	
H.1	ESG REPORTING	
(102)	H.1.1 Provision of Information in Relation to ESG Factors, Effects of ESG Issues to the Business and How Risks and Opportunities Pertaining to ESG are Recognised, Managed, Measured and Reported Underpinned by its Strategic Sustainability Framework (pages 48 to 55), Sampath Bank has implemented an Environmental and Social Risk Management System (ESMS) with the aim of managing the environmental risks associated with the Bank's business and thereby reducing the Bank's environmental footprint. The Corporate Sustainability Department is tasked with conducting environmental impact assessments to complement the ESMS. In addition, all employees are encouraged to adopt the Environmental Pledge, while regular training and awareness building initiatives to ensure staff have adequate knowledge to understand the purpose, application and intended objectives of the ESMS. In this regard, staff capacity building on environmental social due diligence is conducted by the Sampath Learning Academy on periodic basis in collaboration with Corporate Sustainability Department. The ESMS Implementation Committee was formed to further strengthen the ESMS by implementing a suitable Environmental and Social Risk Management Framework to identify and measure environmental and social risks at all levels of operation across the Bank. The members of the Board, and Board Sub-Committees, with a view to identifying and managing the social, economic, environmental topics and their impacts, may from time to time call for comprehensive analysis reports from both external and internal resource personnel to be in line with the adequate due diligence.	✓
(103)	H.1.2 Environment Factors Natural Capital report is given on pages 132 to 147.	✓
(104)	H.1.3 Social Factors Social and Relationship Capital report is given on pages 114 to 131.	✓
(105)	H.1.4 Governance Corporate Governance Report is given on pages 168 to 181 and 432 to 466.	✓
(106)	H.1.5 Board's Role on ESG Factors The Board reviews the ESG factors where necessary to enhance the ESG related areas.	✓



HARSHA AMARASEKERA
Chairman



NANDA FERNANDO
Managing Director



LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

 GRI 2-16

Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Listing Rule Reference	Disclosure Requirement	Section/Reference	Page Reference
7.6 (i)	Names of persons who during the financial year were Directors of the Entity.	Corporate Governance Report Board of Directors	170 - 178 182 - 185
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein.	Annual Report of the Board of Directors on the Affairs of the Company	221 - 231
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held.	Investor Information	419 - 429
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Investor Information	419 - 429
7.6 (v)	A statement of each Director's holding in each class of shares of the Bank.	Annual Report of the Board of Directors on the Affairs of the Company	221 - 231
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	Risk Management Report	204 - 217
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	During the year under review, there were no material issues relating to employees and industrial relations pertaining to the Bank	
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Note 29 to the Financial Statements	310 - 318
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Note 41 to the Financial Statements	339
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Investor Information	419 - 429
7.6 (xi)	Ratios and market price information: Equity: Dividend per share, Dividend payout, Net asset value per share, Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year). Debt: Interest rate of comparable government security, Debt/equity ratio, Interest cover, Quick asset ratio, Market prices and yield during the year (highest price, lowest price, last traded price), any changes in credit rating (for the Entity or any other instrument issued by the Entity), if applicable.	Investor Information Investor Information Annual Report of the Board of Directors on the Affairs of the Company	419 - 429 419 - 429 221 - 231
7.6 (xii)	Significant changes in the Bank's or its Subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Note 29 to the Financial Statements	310 - 318
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities.	There were no public issues during the year 2022	
7.6 (xiv)	(a) Information in respect of Employee Share Option Schemes (ESOS).	Not applicable as the Bank does not have Employee Share Option Schemes at present. Further details disclosed in Investor Information on pages 419 to 429 contains the details of the previous Employee Share Option Schemes of the Bank	

CORPORATE GOVERNANCE

Listing Rule Reference	Disclosure Requirement	Section/Reference	Page Reference
	(b) Information in respect of Employee Share Purchase Schemes (ESPS).	Not applicable as the Bank does not have Employee Share Purchase Schemes	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5.c and 7.10.6.c of Section 7 of the Rules.		
	7.10.3 Disclosures Relating to Directors		
	a. The Annual determination as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and Disclosure in the annual report of the names of Directors determined to be 'Independent'.	Annual Report of the Board of Directors on the Affairs of the Company	221 - 231
	b. The basis for determining Non-Independent Directors as Independent Directors by the Board if applicable.		
	c. A brief resume of each Director of the Board including information on the nature of their expertise in relevant functional areas.	Board of Directors	182 - 185
	d. Provision of public disclosure to the exchange on the brief resume of new directors upon appointment of such directors.	A market Disclosure was made to the Colombo Stock Exchange upon the appointment of Mr Hiran Cabraal as an Independent Non-Executive Director, during the year	
	7.10.5 Remuneration Committee		
	7.10.5.c Disclosure in the Annual Report		
	The names of Directors (or persons in the Parent Company's committee in the case of a group company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Board Human Resources and Remuneration Committee Report	194 - 195
		Note 47.3.1 to the Financial Statements	347
	7.10.6 Audit Committee		
	7.10.6.c Disclosure in the Annual Report		
	- The names of the Directors (or persons in the Parent Company's committee in the case of a group company) comprising the Audit Committee. The determination of the independence of the auditors and the basis for such determination. - A report by the Audit Committee, setting out the manner of compliance by the Bank in relation to the above, during the ensuring year.	Board Audit Committee Report	190 - 193
		The Committee through their annual evaluation assessed the level of independence of the External Auditors	
7.6 (xvi)	Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets of the Entity as per Audited Financial Statements, whichever is lower.	None of the transactions carried out by the Bank with Related parties have exceeded the aggregate monetary value of 10% of the Shareholders' Equity of the Bank or 5% of the Total Assets of the Bank as at 31st December 2022	
	Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.		
	The details shall include, as a minimum: the date of the transaction, the name of the Related Party, the relationship between the Entity and the Related Party, the amount of the transaction and terms of the transaction, the rationale for entering into the transaction.	Investor Information	419 - 429

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 1: KEY REGULATORY RATIOS - CAPITAL AND LIQUIDITY

As at 31st December	Bank		Group	
	2022	2021	2022	2021
Regulatory Capital (Rs 000)				
Common Equity Tier I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Tier I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Capital	114,351,589	126,986,732	122,096,525	134,586,456
Regulatory Capital Ratios (%)				
Common Equity Tier I Capital Ratio (minimum requirement - 7.00%)	11.92	13.95	12.18	14.05
Total Tier I Capital Ratio (minimum requirement - 8.50%)	11.92	13.95	12.18	14.05
Total Capital Ratio (minimum requirement - 12.50%)	14.27	17.02	14.46	17.00
Leverage Ratio (minimum requirement - 3%)	7.00	7.80	7.29	8.08
Regulatory Liquidity				
Statutory Liquid Assets (Rs 000) - Bank	326,607,580	347,721,178	n/a	n/a
Statutory Liquid Assets Ratio - Bank (minimum requirement - 20%)	27.85	32.62	n/a	n/a
Total Stock of High-Quality Liquid Assets (Rs 000)	226,064,957	271,499,215	n/a	n/a
Liquidity Coverage Ratio (%) – Rupee (minimum requirement: 2022 - 90%, 2021 - 100%)	200.78	254.89	n/a	n/a
Liquidity Coverage Ratio (%) – All currency (minimum requirement: 2022 - 90%, 2021 - 100%)	146.53	213.43	n/a	n/a
Net Stable Funding Ratio (%) (minimum requirement: 2022 - 90%, 2021 - 100%)	157.10	149.92	n/a	n/a
n/a - not applicable				

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 2: CAPITAL RATIOS

As at 31st December	Bank		Group	
	2022 Rs 000	2021 Rs 000	2022 Rs 000	2021 Rs 000
Common Equity Tier I (CET I) Capital after adjustments	95,533,144	104,104,589	102,822,613	111,221,788
Common Equity Tier I (CET I) Capital	120,079,176	112,506,327	125,752,360	118,202,030
Stated capital	47,622,493	47,622,493	47,622,493	47,622,493
Statutory reserve fund	5,755,000	5,075,000	6,033,000	5,315,000
Published retained earnings/(Accumulated retained losses)	8,169,471	8,491,142	13,564,655	13,946,845
Published accumulated other comprehensive income (OCI)	(457,135)	(1,151,213)	(457,135)	(1,151,213)
General and other disclosed reserves	58,989,347	52,468,905	58,989,347	52,468,905
Unpublished current year's profit/loss and gains reflected in OCI	-	-	-	-
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to CET I Capital	24,546,032	8,401,738	22,929,747	6,980,242
Goodwill (net)	-	-	-	-
Intangible assets (net)	578,031	544,916	600,341	567,681
Deferred tax assets (net)	21,734,244	6,157,958	21,992,147	6,242,982
Defined benefit pension fund assets	337,259	-	337,259	-
Others (Investments in the capital of banking & financial institutions)	1,896,498	1,698,864	-	169,579
Additional Tier I (AT I) Capital after adjustments	-	-	-	-
Additional Tier I (AT I) Capital	-	-	-	-
Tier II Capital after adjustments	18,818,445	22,882,143	19,273,912	23,364,668
Tier II Capital	18,818,445	22,882,143	19,273,912	23,364,668
Qualifying Tier II capital instruments	8,617,903	13,278,665	8,617,903	13,278,665
Revaluation gains	901,539	978,813	901,539	978,813
Stage 1 & 50% of stage 2 impairment provision	9,299,003	8,624,665	9,754,470	9,107,190
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to Tier II	-	-	-	-
CET I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Tier I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Capital	114,351,589	126,986,732	122,096,525	134,586,456
Total Risk Weighted Assets (RWA)	801,373,367	746,321,439	844,381,387	791,790,267
RWAs for Credit Risk (refer table No. 3)	743,920,231	689,973,167	780,357,635	728,575,228
RWAs for Operational Risk (refer table No. 5)	55,711,400	47,382,447	61,977,640	54,249,214
RWAs for Market Risk (refer table No. 6)	1,741,736	8,965,825	2,046,112	8,965,825
CET I Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & HLA requirement on D-SIBs) (%)	11.92	13.95	12.18	14.05
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: HLA requirement on D-SIBs (%)	-	-	-	-
Total Tier I Capital Ratio (%)	11.92	13.95	12.18	14.05
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & HLA requirement on D-SIBs) (%)	14.27	17.02	14.46	17.00
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: HLA requirement on D-SIBs (%)	-	-	-	-

TABLE - 3 (A) BANK: CREDIT RISK AS AT 31ST DECEMBER 2022 UNDER STANDARDISED APPROACH – CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	%
Claims on central government and CBSL	353,835,062	-	353,835,062	-	12,267,688	3
Claims on public sector entities	15,060,931	3,460	1,400,791	1,730	1,933,423	138
Claims on banks exposures	78,218,066	9,494	78,218,066	9,494	20,485,521	26
Claims on financial institutions	47,638,602	173,350	47,638,602	170,387	27,468,476	57
Claims on corporates	432,244,616	303,249,599	405,746,565	36,079,530	417,456,743	94
Retail claims	281,238,182	11,765,711	264,490,224	9,326,030	164,660,010	60
Claims secured by residential property	50,079,498	-	50,079,498	-	24,574,298	49
Non-performing assets	46,552,073	-	46,552,073	-	49,890,928	107
Higher-risk categories	974,296	-	974,296	-	2,435,740	250
Cash items and other assets	44,611,598	-	44,611,598	-	22,747,404	51
	1,350,452,924	315,201,614	1,293,546,775	45,587,171	743,920,231	56

TABLE - 3 (B) GROUP: CREDIT RISK AS AT 31ST DECEMBER 2022 UNDER STANDARDISED APPROACH – CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	%
Claims on central government and CBSL	359,523,929	-	359,523,929	-	12,267,688	3
Claims on public sector entities	15,060,931	3,460	1,400,791	1,730	1,933,423	138
Claims on banks exposures	78,248,733	9,494	78,248,733	9,494	20,491,655	26
Claims on financial institutions	42,462,505	173,350	42,462,505	170,387	24,880,427	58
Claims on corporates	430,561,883	302,372,477	403,468,999	36,085,230	415,184,877	94
Retail claims	309,857,081	11,765,711	293,276,639	9,326,030	185,655,333	61
Claims secured by residential property	50,079,498	-	50,079,498	-	24,574,298	49
Non-performing assets	54,091,126	-	54,091,126	-	61,001,117	113
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	56,384,426	-	56,384,426	-	34,368,817	61
	1,396,270,112	314,324,492	1,338,936,646	45,592,871	780,357,635	56

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 4 (A) BANK: CREDIT RISK AS AT 31ST DECEMBER 2022 (POST CCF & CRM) UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Asset Class	Risk Weight		0%		20%		35%		50%		60%		75%		100%		150%		250%		Total credit exposures amount	
	Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000	
Claims on central government and CBSL	292,496,621	61,338,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	353,835,062	-
Claims on public sector entities	-	11,523	-	-	-	-	-	-	-	-	-	-	-	-	-	310,757	1,080,241	-	-	-	1,402,521	-
Claims on banks exposures	-	66,482,204	-	9,228,102	-	9,228,102	-	9,228,102	-	9,228,102	-	9,228,102	-	9,228,102	-	2,401,703	115,551	-	-	-	78,227,560	-
Claims on financial institutions	-	222,554	-	40,324,940	-	40,324,940	-	40,324,940	-	40,324,940	-	40,324,940	-	40,324,940	-	7,261,495	-	-	-	-	47,808,989	-
Claims on corporates	-	13,528,481	-	27,336,841	-	27,336,841	-	27,336,841	-	27,336,841	-	27,336,841	-	27,336,841	-	400,717,067	243,706	-	-	-	441,826,095	-
Retail claims	55,673,877	10,872,580	-	-	-	-	-	-	-	-	34,436,195	124,039,299	48,794,303	-	-	-	-	-	-	-	273,816,254	-
Claims secured by residential property	-	-	-	39,238,770	-	39,238,770	-	39,238,770	-	39,238,770	-	39,238,770	-	39,238,770	-	10,840,728	-	-	-	-	50,079,498	-
Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,843,490	8,193,146	-	-	-	46,552,073	-
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	974,296	974,296	-
Cash items and other assets	21,767,723	120,589	-	-	-	-	-	-	-	-	-	-	-	-	-	22,723,286	-	-	-	-	44,611,598	-
	369,938,221	152,576,372	39,238,770	78,405,320	34,436,195	124,039,299	529,892,829	9,632,644	974,296	1,339,133,946												

TABLE - 4 (B) GROUP: CREDIT RISK AS AT 31ST DECEMBER 2022 (POST CCF & CRM) UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Asset Class	Risk Weight		0%		20%		35%		50%		60%		75%		100%		150%		250%		Total credit exposures amount	
	Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000		Rs 000	
Claims on central government and CBSL	298,185,488	61,338,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359,523,929	-
Claims on public sector entities	-	11,523	-	-	-	-	-	-	-	-	-	-	-	-	-	310,757	1,080,241	-	-	-	1,402,521	-
Claims on banks exposures	-	66,512,871	-	9,228,102	-	9,228,102	-	9,228,102	-	9,228,102	-	9,228,102	-	9,228,102	-	2,401,703	115,551	-	-	-	78,258,227	-
Claims on financial institutions	-	222,554	-	35,148,843	-	35,148,843	-	35,148,843	-	35,148,843	-	35,148,843	-	35,148,843	-	7,261,495	-	-	-	-	42,632,892	-
Claims on corporates	-	13,528,481	-	27,336,841	-	27,336,841	-	27,336,841	-	27,336,841	-	27,336,841	-	27,336,841	-	398,445,201	243,706	-	-	-	439,554,229	-
Retail claims	63,079,903	11,353,913	-	-	-	-	-	-	-	-	34,436,195	124,039,299	69,693,359	-	-	-	-	-	-	-	302,602,669	-
Claims secured by residential property	-	-	-	39,238,770	-	39,238,770	-	39,238,770	-	39,238,770	-	39,238,770	-	39,238,770	-	10,840,728	-	-	-	-	50,079,498	-
Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,240,271	15,335,418	-	-	-	54,091,126	-
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash items and other assets	21,919,138	120,589	-	-	-	-	-	-	-	-	-	-	-	-	-	34,344,699	-	-	-	-	56,384,426	-
	383,184,529	153,088,372	39,238,770	73,229,223	34,436,195	124,039,299	560,538,213	16,774,916	-	1,384,529,517												

TABLE - 5: OPERATIONAL RISK FOR THE PERIOD ENDED 31ST DECEMBER 2022 UNDER THE ALTERNATIVE STANDARDISED APPROACH

Business lines	Bank				Group					
	Capital charge factor	Fixed factor	Gross income/Average loans & advances		Capital charge factor	Fixed factor	Gross income/Average loans & advances			
			1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000			1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000
The Alternative Standardised Approach										
Corporate finance	18%		5,097,905	6,370,608	12,034,323	18%		5,097,905	6,370,608	12,034,323
Trading and sales	18%		5,250,359	10,196,242	12,506,896	18%		9,109,264	16,106,683	16,302,856
Payment and settlement	18%		5,764	8,235	42,125	18%		5,764	8,235	42,125
Agency services	15%		5,930	75	-	15%		5,930	75	-
Asset management	12%		-	-	-	12%		-	-	-
Retail brokerage	12%		-	-	-	12%		-	-	-
Retail banking	12%	3.50%	376,485,594	405,226,362	445,917,998	12%	3.50%	376,485,594	405,226,362	445,917,998
Commercial banking	15%	3.50%	366,626,084	387,887,887	476,455,095	15%	3.50%	360,790,189	382,051,992	470,619,200
Capital charge (Rs 000)	6,963,925					7,747,205				
Risk Weighted Amount (Rs 000)	55,711,400					61,977,640				

TABLE - 6: MARKET RISK AS AT 31ST DECEMBER 2022 UNDER STANDARDISED MEASUREMENT METHOD

Item	Bank		Group	
		Rs 000		Rs 000
(a) Capital Charge for Interest Rate Risk		25,713		25,713
General interest rate risk		25,713		25,713
Specific interest rate risk		-		-
(b) Capital Charge for Equity		-		38,047
General equity risk		-		22,640
Specific equity risk		-		15,407
(c) Capital Charge for Foreign Exchange & Gold		192,004		192,004
(d) Capital Charge (a) + (b) + (c)		217,717		255,764
Risk Weighted Amount (d) * 100/12.5		1,741,736		2,046,112

BASEL III DISCLOSURE REQUIREMENTS

SUMMARY DISCUSSION ON ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS Overview

Having understood that proper "Capital Management" is vital in ensuring the long-term stability of the business, Sampath Bank has continued to maintain Capital Adequacy Ratios over and above the regulatory minimum requirements.

Capital Allocation

Effective risk management framework would ensure the stability of the Bank, by protecting it against market, credit, liquidity, operational and reputational risk. The main protection provider is the Bank's capital. Determining the optimum capital structure would be one of the most important risk management goals of the Bank. This

process involves evaluating the amount of risk each business unit contributes to the total risk of the Bank and the consequent capital requirements. Further, it involves determining the capital charge to each business unit whose activities contributes to Bank's overall risk, thereby inducing the business units to generate returns compensating the risk undertaken by them.

Capital Management Process

The overall Capital Management of the Bank comes under the purview of the "Board Capital Planning Committee" (BCPC). The Committee consists of the most senior and experienced Directors. The Capital Management Process is reviewed periodically by the BCPC.

In order to boost its capital levels, the Bank successfully raised Rs 10 Bn worth of Tier II capital in February 2023 via issuance of Basel III compliant, listed, rated, unsecured, subordinated, redeemable 5-year debentures with a non-viability conversion.

Moving Forward

The Bank is ready to execute the identified medium and long-term strategies to improve Capital Adequacy Ratios in line with CBSL minimum regulatory requirements.

In addition, necessary actions would be identified to optimise the Risk Weighted Assets for the purpose of improving the capital allocation of the Bank.

TABLE - 7: LIQUIDITY COVERAGE RATIO - ALL CURRENCY

As at 31st December	2022		2021	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
	Rs 000	Rs 000	Rs 000	Rs 000
Total Stock of High-Quality Liquid Assets (HQLA)	227,907,340	226,064,957	271,568,230	271,499,215
Level 1 assets	215,624,790	215,624,790	271,108,130	271,108,130
Level 2A assets	12,282,550	10,440,167	460,100	391,085
Level 2B assets	-	-	-	-
Total Cash Outflows	1,279,949,345	218,717,855	1,182,402,491	210,391,845
Deposits	1,103,212,882	201,023,717	978,368,455	164,213,669
Unsecured wholesale funding	952,116	952,116	10,886,161	10,886,161
Secured funding transactions	678,133	-	3,225,782	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	165,683,276	7,319,084	164,636,928	10,006,850
Additional requirements	9,422,938	9,422,938	25,285,165	25,285,165
Total Cash Inflows	145,738,258	64,436,052	92,692,468	83,182,811
Maturing secured lending transactions backed by collateral	39,362,999	28,934,475	43,245,762	39,378,828
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	43,764,238	28,290,501	21,713,007	18,501,721
Operational deposits	55,399,945	-	2,431,437	-
Other cash inflows	7,211,076	7,211,076	25,302,262	25,302,262
Total Net Cash Outflows	1,134,211,087	154,281,803	1,090,275,493	127,209,034
Liquidity Coverage Ratio (%) (Stock of High-Quality Liquid Assets/ Total Net Cash Outflows) * 100		146.53		213.43

TABLE - 8: LEVERAGE RATIO

As at 31st December	Bank		Group	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Total Tier I Capital	95,533,144	104,104,589	102,822,613	111,221,788
Total Exposure	1,365,506,412	1,334,097,540	1,410,027,386	1,375,911,189
On-balance sheet exposure (excluding derivatives and securities financing transactions and asset amount adjusted in Basel III Tier I capital)	1,289,763,138	1,188,759,646	1,334,045,648	1,230,790,486
Derivative exposure	20,762,312	69,917,805	20,762,312	69,917,805
Securities financing transaction exposure	10,072,569	5,193,779	10,299,569	4,982,788
Other off-balance sheet exposure	44,908,393	70,226,310	44,919,857	70,220,110
Basel III Leverage Ratio (%) (Total Tier I Capital/Total Exposure)*100	7.00	7.80	7.29	8.08

TABLE - 9: NET STABLE FUNDING RATIO

As at 31st December	Bank	
	2022	2021
	Rs 000	Rs 000
Total Available Stable Funding	1,028,011,411	936,484,057
Total Required Stable Funding	654,365,067	624,656,710
Required stable funding – on balance sheet assets	649,825,315	616,497,165
Required stable funding – off balance sheet items	4,539,752	8,159,545
Net Stable Funding Ratio (%) (Total Available Stable Funding /Total Required Stable Funding)*100	157.10	149.92

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 10: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Description of the capital instrument	Capital instruments issued by the Bank		
	2018-2023 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures	2019-2024 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures	2021-2028 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures
Issuer	Sampath Bank PLC	Sampath Bank PLC	Sampath Bank PLC
Unique identifier	D0427-LK0090D23901	D0452-LK0090D24156	D0510-LK0090D24743
Governing law(s) of the instrument	Companies Act No. 07 of 2007/CSE listing rules/Banking Act No. 30 of 1988/Securities Exchange Commission Act		
Original date of issuance	20th March 2018	28th February 2019	12th April 2021
Par value of instrument (per debenture)	Rs 100/-	Rs 100/-	Rs 100/-
Perpetual or dated	Dated	Dated	Dated
Original maturity date, if applicable	20th March 2023	28th February 2024	12th April 2028
Amount recognised in regulatory capital (in Rs 000 as at the reporting date)	375,000	1,750,000	6,000,000
Accounting classification (Equity/Liability)	Liability	Liability	Liability
Issuer call subject to prior supervisory approval			
Optional call date, contingent call dates and redemption amount (Rs 000)	n/a	n/a	n/a
Subsequent call dates, if applicable	n/a	n/a	n/a
Coupon/Dividend			
Fixed or floating dividend/coupon	D0427-Fixed rate	D0452-Fixed rate	D0510-Fixed rate
Coupon rate and any related index	D0427-12.50% p.a.	D0452-13.90% p.a.	D0510-9.00% p.a.
Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative
Convertible or Non-convertible	Convertible	Convertible	Convertible
If convertible, conversion trigger (s)	*	*	*
If convertible, fully or partially	*	*	*
If convertible, mandatory or optional	*	*	*
If convertible, conversion rate	**	**	**

* In the event of an occurrence of a trigger event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of debentures to ordinary voting shares by the company without any requirement of approval from the debenture holders, in compliance with Basel III requirements. Upon the occurrence of a trigger event, the outstanding balance of the debentures including the total par value of the debentures and debenture interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the conversion price.

** The conversion rate will be based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange during the three months (03) period, immediately preceding the date of the trigger event

n/a - not applicable

TABLE - 11 BANK: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES AS AT 31ST DECEMBER 2022

Item	Carrying values as reported in published financial statements Rs 000	Carrying values under scope of regulatory reporting Rs 000	Subject to credit risk framework Rs 000	Subject to market risk framework Rs 000	Not subject to capital requirements or subject to deduction from capital Rs 000
Assets					
Cash & cash equivalents	79,162,545	79,162,545	79,263,832	-	-
Balances with Central Bank of Sri Lanka	31,579,185	31,579,185	31,579,185	-	-
Placements with banks	10,927,216	10,927,216	10,929,771	-	-
Reverse repurchase agreements	10,072,569	10,072,569	10,072,569	-	-
Derivative financial instruments	44,598	44,598	44,598	-	-
Financial assets recognised through profit or loss					
- measured at fair value	4,641,277	4,641,277	-	4,641,277	-
Financial assets at amortised cost					
- loans & advances	811,157,649	811,157,649	869,412,053	-	45,370,306
- debt & other instruments	278,775,796	278,775,796	279,113,301	-	-
Financial assets - fair value through other comprehensive income	32,772,930	32,772,930	32,772,930	-	-
Investment in subsidiaries	3,898,512	3,898,512	2,002,014	-	1,896,498
Property, plant & equipment	8,910,525	8,910,525	8,910,525	-	-
Intangible assets	578,031	578,031	-	-	578,031
Right-of-use assets	3,540,286	3,540,286	3,540,286	-	-
Deferred tax assets	21,734,244	21,734,244	-	-	21,734,244
Other assets	26,630,974	26,630,974	26,630,974	-	-
Total Assets	1,324,426,337	1,324,426,337	1,354,272,038	4,641,277	69,579,079
Liabilities					
Due to banks	11,297,181	11,297,181	-	-	-
Derivative financial instruments	1,449,393	1,449,393	-	-	-
Securities sold under repurchase agreements	2,283,291	2,283,291	-	-	-
Financial liabilities at amortised cost					
- due to depositors	1,096,099,874	1,096,099,874	-	-	-
- due to other borrowers	9,173,923	9,173,923	-	-	-
- due to debt securities holders	25,259,536	25,259,536	-	-	-
Retirement benefit obligation	1,845,228	1,845,228	-	-	-
Dividend payable	187,141	187,141	-	-	-
Current tax liabilities	18,754,155	18,754,155	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	31,696,670	31,696,670	-	-	-
Total Liabilities	1,198,046,392	1,198,046,392	-	-	-
Gross off-balance sheet liabilities					
Guarantees	43,824,217	43,824,217	43,824,217	-	-
Documentary credit	20,991,504	20,991,504	20,991,504	-	-
Acceptance	12,511,244	12,511,244	12,511,244	-	-
Other contingent items	14,916,976	14,916,976	14,916,976	-	-
Commitment for unutilised facilities	225,212,900	225,212,900	225,212,900	-	-
Other commitments	1,025,390	1,025,390	1,025,390	-	-
Total gross off-balance sheet liabilities	318,482,231	318,482,231	318,482,231	-	-
Shareholders' equity					
Stated capital	47,622,493	47,622,493	-	-	-
of which amount eligible for CET I	47,622,493	47,622,493	-	-	-
of which amount eligible for AT I	-	-	-	-	-
Retained earnings	8,169,471	8,169,471	-	-	-
Accumulated other comprehensive income	2,248,650	2,248,650	-	-	-
Other reserves	68,339,331	68,339,331	-	-	-
Total Shareholders' equity	126,379,945	126,379,945	-	-	-

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 12 GROUP: ASSESSMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBs) AS AT 31ST DECEMBER 2022

	Rs 000
Size Indicator	
Section 1 - Total exposure	
Total exposure measure	1,410,027,386
Interconnectedness Indicators	
Section 2 - Intra-financial system assets	
a. Funds deposited with or lent to other financial institutions	110,514,745
(i) Funds deposited	78,756,116
(ii) Lending	31,758,629
b. Holdings of securities issued by other financial institutions	11,685,864
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	424,752
d. Over the counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	80,640
Intra-financial system assets	122,706,001
Section 3 - Intra-financial system liabilities	
a. Funds deposited by or borrowed from other financial institutions	37,103,215
(i) Funds deposited	16,501,096
(ii) Borrowings	20,602,119
b. Net negative current exposure of securities financing transactions with other financial institutions	1,723,800
c. Over the counter derivatives with other financial institutions that have a net negative mark to market value	1,506,598
Intra-financial system liabilities	40,333,613
Section 4 - Securities outstanding	
Securities outstanding	29,586,241
Substitutability/Financial Institution Infrastructure Indicators	
Section 5 - Payments made in the reporting year (excluding intra-group payments)	
Payments activity	6,816,628,885
Section 6 - Assets under custody	
Assets under custody	4,357,346
Section 7 - Underwritten transactions in debt and equity markets	
Underwriting activity	-
Section 8 - Trading volume	
a. Number of shares or securities	758,864
b. Value of the transactions	26,281
Complexity Indicators	
Section 9 - Notional amount of over the counter (OTC) derivatives	
OTC derivatives	14,916,976
Section 10 - Level 2 assets	
Level 2 assets	12,282,550
Section 11 - Financial assets recognised through profit or loss - measured at fair value & financial assets - fair value through other comprehensive income	
a. Debt instruments	32,682,220
b. Equity instruments	4,732,043
c. Derivatives	44,598
Section 12 - Cross jurisdictional liabilities	
Cross jurisdictional liabilities (excluding derivatives and intra-group liabilities)	13,723,966
Section 13 - Cross jurisdictional claims	
Cross jurisdictional claims (excluding derivatives and intra-group claims)	119,523,725

DETAILED MATERIAL TOPICS

► GRI 201/203/207

Profitability and Financial Stability

Context	Impact Assessment						
Profitability and financial stability are seen as the key enablers in creating value for our stakeholders and also for growing our business over the short, medium and long term. Higher profits enable us to increase the direct value distributed to stakeholders each year, in terms of dividend paid to shareholders, salaries and benefits to employees, taxes paid to the government and higher annual spend on community investments.	Greater financial stability creates a platform through which the Bank can expand its market presence and thereby deliver on its promise to help individuals to achieve their financial goals, support the growth of industry, development of the SME sector and promote greater financial inclusion as well as direct resources towards environmental concepts, all of which will ultimately lead to nationwide progress. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> high</td><td> high</td></tr></table>	Economic	Environment	People	 high	 high	 high
Economic	Environment	People					
 high	 high	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
We strive to combine a robust business model, strong governance and an integrated risk management and compliance framework to ensure long-term profitability and continued financial stability in a highly competitive industry.	Our approach is three-fold and focuses on; ➤ Profit maximisation - The key drivers of the Bank's profit maximisation model, are the aggressive focus on operating income growth coupled with disciplined cost management strategies to improve the Cost-to-income ratio. ➤ Fulfilling all mandatory tax obligations - We have a tax strategy in place, which is based on the prevailing tax laws of the country. As a licensed commercial bank, Sampath Bank's tax strategy is guided by the Inland Revenue Act No. 24 of 2017 and its amendments and the Value Added Tax Act No. 14 of 2002 and its amendments. The tax strategy is prepared for internal use only and is therefore not published. As a responsible corporate citizen, the purpose of our tax strategy is to ensure that the Bank's tax obligations are met on time, every time and without the burden of any additional liabilities. The Tax Unit of the Finance Department under the supervision of the Executive Director/Chief Financial Officer, is responsible for preparing the tax strategy. As part of its duties, the Tax Unit is also required to proactively review new developments in the broader tax framework and advise the Board of Directors on its interpretation and the risks to the Bank's bottom line. In this regard, the Tax Unit also seeks an independent opinion from an external tax consultant (Messrs Ernst & Young) on a case by case basis, to help in the dissemination of tax related information. We also seek the assurance of our external tax consultant Messrs Ernst & Young to review and certify all of the Bank's routine tax payments prior to them being paid out. At the same time, the Bank's Tax Unit engages with the regulators, either directly or via Messrs Ernst & Young to resolve issues pertaining to the Bank. While there is no forum that allows banks to get involved in the process of formulating tax policies or legislature, Sampath Bank indirectly provides inputs via its external tax consultant as well as through the Sri Lanka Banks' Association, to support the regulator's ongoing efforts to reform the country's tax regime. ➤ Safeguarding the Balance Sheet - To safeguard our Balance Sheet, we focus on strictly complying with regulatory requirements with regard to liquidity and CET I, Tier I and Total Capital Adequacy Ratios. This means prioritising the allocation of capital resources to meet our strategic objectives while managing asset quality and impairments through portfolio diversification and proactive risk assessments vis-à-vis the Bank's risk appetite and tolerance limits.	The following indicators are used to evaluate the effectiveness of our approach; ➤ Net Interest Margin ➤ Cost-to-Income Ratio ➤ Profit before Tax ➤ Profit after Tax ➤ Total Impairment on Loans as a % of Gross Loans and Advances ➤ Cost of Risk ➤ Stage 3 Impairment to Stage 3 Loans Ratio ➤ Impaired Loans (Stage 3) Ratio ➤ Return on Equity ➤ Return on Assets ➤ Earnings per Share ➤ Dividend per Share ➤ Net Assets Value per Share ➤ Capital Adequacy Ratios - Tier I and Total (Tier I + Tier II) Capital ➤ Liquid Assets Ratios ➤ Liquidity Coverage Ratios ➤ Net Stable Funding Ratio

DETAILED MATERIAL TOPICS

Macroeconomic Headwinds

Context		Impact Assessment		
The economic crisis that erupted in Sri Lanka in early 2022 together with the fuel and energy shortages, rising inflation, Rupee depreciation and the foreign exchange liquidity shortfall, all leading to a never-before-seen social unrest and political instability, left the country's economy in its worst ever position in the post-independence era.		Macroeconomic instability has a negative impact on economic growth, leading to potentially inflationary conditions and higher unemployment and in turn causing a deterioration in average disposable income.		
		Economic	Environment	People
		 high	 medium	 high
Management Strategy and Commitments		Key Actions		Evaluation and Reporting
The Sampath Bank Board remained proactive in its efforts to manage the challenges arising from the adverse macroeconomic conditions in 2022, with considerable time allocated at all Board meetings for the discussion of relevant matters and for formulating appropriate responses to minimise the impact on the Bank and its stakeholders. Under the guidance of the Board, all Board Sub-Committees and all Executive level committees too were actively involved in monitoring and managing the respective areas under their purview.		In light of the unprecedented macroeconomic conditions, a prudent approach was adopted to realign business units to face the challenges. All business and operational strategies were revisited and where necessary, changes were made to the risk management fundamentals while governance and oversight was strengthened in identified areas. Actions taken in this regard are described in detail across the Report, in particular in the Business Review section (pages 148 to 163), the Capital Management Reports (pages 79 to 147), Risk Management Report (pages 204 to 217), Corporate Governance Report (pages 168 to 181 and 432 to 466) and Committee Reports (pages 190 to 202).		- Financial Results - Economic Value Added - Issuer Rating - Industry Ranking - Brand Accolades - Sampath Bank share price and annual trading volumes at the CSE - Stakeholder Surveys

Physical Channels

► GRI 202-2

Context	Impact Assessment		
Physical channels are the foundation on which Sampath Bank's traditional brick-and-mortar banking model is built. To this day, physical channels such as our Branches, Cash Recycler Machines (CRM), Automated Teller Machines (ATM), Automated Cheque Deposit Kiosks (QDK) and Cash Deposit Machines (CDM) are the main sources that connect customers and the Bank. More recently, our Agent Banking channel has emerged as an important touch point in reaching customers in remote regions of the country.	Sampath Bank's physical channels play a fundamental role in fueling economic activity across Sri Lanka. The products and services offered via physical channels empower individuals and businesses to achieve their financial aspirations, in turn fueling economic activity and job creation, all collectively leading to broader socio-economic progress across the country.		
	Economic	Environment	People
	 high	 low	 high

Physical Channels Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
We follow a broad-based channel management approach to ensure each of our physical channels provide the best-in-class customer experience. We make sure our channel architecture complies with all regulatory requirements for licensed commercial banks as stipulated by the Central Bank of Sri Lanka. Additionally, we strive to benchmark our channels against international banking standards and globally accepted best practices to give our customers the convenience of world class banking systems through every one of our physical channels.	Our priority is to serve the banking needs of communities in a particular area and hence strategic location is the key deciding factor in situating our branches. For this reason, we first explore if the Bank's own freehold properties portfolio offers any suitable properties and if not, we seek out properties that offer the necessary location advantages and secure them through a long term lease. Our teams are continuously working to optimise the use of our physical infrastructure in order to improve the effectiveness and efficiency of our channel operations. The annual budgeting process includes separate capital expenditure (CAPEX) and maintenance budgets to facilitate necessary improvements to our branches on an ongoing basis. The Bank undertakes CAPEX on freehold properties and for leasehold properties contracted over the long term.	We monitor customer complaints and conduct regular customer satisfaction surveys to determine if our physical channels continue to meet expectations of customers. In addition, the Bank's leadership routinely reviews the effectiveness of all physical channels with the aim of making necessary improvements to ensure each one has the capacity and capability to meet their stated objectives.

Digitalisation Agenda

Context	Impact Assessment						
Sampath Bank's Digitalisation Agenda supports the Bank's efforts to transform into a world-class digital financial institution vis-à-vis two key pivots; ➤ Digital Banking solutions enable Sampath Bank to go beyond the traditional brick and mortar banking model and expand its reach to a variety of different customer segments. ➤ Digital infrastructure that forms the basis of the Bank's competitive edge and leadership position in the market.	Sampath Bank's Digital Channels are a cost effective and highly efficient alternative to reach a wider target audience. Digital Banking solutions are designed to make banking simple, easily accessible in order to enable individuals and businesses around the country to benefit from access to financial services. Meanwhile, strong, resilient IT infrastructure allows the Bank to provide uninterrupted banking services to customers and ensure the continuity of economic activity, even amidst external disruptions. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> medium</td><td> high</td></tr></table>	Economic	Environment	People	 high	 medium	 high
Economic	Environment	People					
 high	 medium	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Our approach to digital adoption is based on our intention to transform into a world class digital bank through continuous expansion of our end to end digital channel architecture coupled with ongoing investments to upgrade and update core IT infrastructure systems on par with latest global standards.	The Bank's IT Department keeps close track to identify the latest digital banking trends on the global front and determine their relevance to suit the Sri Lankan banking context. This is coupled with continuous and ongoing research to create timely and relevant solutions that can enhance the customers' banking experience. While many of our digital banking solutions are developed in-house, we remain open to tying up with Fin-techs and other specialists who present solutions that enhance the overall customer experience, while also reducing the Bank's cost-to-serve. Investments in core infrastructure are reviewed and updated by the Board annually in line with the Bank's efforts to automate all critical business processes, improve IT functionality and build system resilience.	Usage volumes and customer feedback are continuously monitored to determine if our digital banking solutions are having the desired impact of enhancing the customers' banking experience. In recent years, we have begun leveraging the latest data science and predictive analytics tools to dynamically redesign our evaluation approaches to ensure we are continuously increasing the coverage across a broader spectrum of bank-wide operations. As always, the Bank's leadership also continues to routinely review the effectiveness of all digital banking solutions with the aim of making necessary improvements to ensure each one has the capacity and capability to meet their stated objectives.

DETAILED MATERIAL TOPICS

Business Continuity Planning

Context		Impact Assessment		
Business Continuity Planning (BCP) creates a foundation for ensuring the continuity of business functions in the event of unforeseen disruptions.		A strong BCP increases reliability and thereby enhances our capability to consistently meet the expectations of stakeholders.		
		Economic	Environment	People
		 high	 low	 high
Management Strategy and Commitments	Key Actions		Evaluation and Reporting	
Our BCP is made up of contingency plans for the entire gamut of business processes, assets, human resources and every other aspect of the business that might be affected. These plans typically contain detailed checklists and also include the relevant roles and responsibilities along with contact information for emergency responders, key personnel and relevant service providers. Strategies on how business operations can be maintained for both short-term and long-term outages are also incorporated in the BCP.	While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, it is our aim to restore operations and be able to resume business operations as per predefined "Recovery Time Objectives (RTO)". To facilitate this, our BCP is structured to include; dedicated relocation centers (Disaster Recovery Sites) for mission critical functions. This ensures smooth functioning of core banking activities and supports comprehensive data backup and recovery of all critical financial and operational systems within stipulated RTOs in order to assure customers of uninterrupted access to their funds and securities, in the event of a disruption. As a Bank, major component of our BCP is the Disaster Recovery Plan that contains strategies for handling IT disruptions to networks, servers, personal computers and mobile devices. In this context, we apply Business Impact Analysis (BIA) techniques, through which we quantify adverse impacts to the business based on the criticality of the process and the relevant RTOs prioritise the business process and the Disaster Recovery Procedure (DRP), to facilitate the swift recovery of IT systems following an interruption to the business. Other important aspects that determine the success of the BCP are; proper communication, training and testing, which ensures employees remain aware of the purpose of the BCP and understand the proper use of the BIA and DRP.		As part of our efforts to determine the effectiveness of the BCP framework, we routinely review the responsiveness of critical processes. We also carry out annual risk assessment and business impact analysis to consider both internal and external factors that have the potential to affect our current BCP protocols.	

Corporate Brand Image/Goodwill Building

Context		Impact Assessment		
Our corporate brand is a reflection of what we, as a Bank, stand for. It is also one of the most valuable indicators of Sampath Bank's success, because it determines our status quo in the local banking sector based on our ability to consistently honour our promises to our stakeholders.		The numerous brand accolades received over the years testify to Sampath Bank's contribution to the Sri Lankan economy, its people and its environment.		
		Economic	Environment	People
		 high	 high	 high

Corporate Brand Image/Goodwill Building Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Our strategic journey over the past 35+ years has focused on building a distinctive brand image that reflects our core values and lives up to our vision, to be "The growing force in Sri Lankan financial services". Meanwhile, to prevent any ambiguity and maintain consistency regarding our brand, strict brand guidelines are in place to bind all those who work with the Sampath brand and enforce them to adhere to standardised brand architecture that will ensure the Bank's stakeholders receive a consistent singular experience at all times.	We strive to project Sampath Bank as a truly authentic Sri Lankan bank that adds lifetime value to its customers by offering unique, innovative and tailor-made financial solutions that are benchmarked against international standards. Premised on this, we have continued to invest in the latest and most sophisticated path-breaking technologies to create world-class financial solutions, while staying true to our roots as a Sri Lankan bank. Furthermore, we have adopted an agile business model to ensure our strategies are fluid and continue to evolve in order to meet key stakeholder deliverables. In this regard, we expect every member of Team Sampath to conduct themselves with the utmost integrity and transparency in performing their assigned job roles. At the same time, we want to ensure that our brand is known for enriching the lives of all communities across Sri Lanka and for making a positive contribution to the environment.	The annual rating review by Fitch Ratings Lanka Limited provides an indication regarding the financial stability and resilience of the Bank, thus confirming the credibility of the Sampath brand within the local banking sector. Moreover, regular market research activities are conducted each year coupled with the comprehensive stakeholder surveys done, to capture the perceptions of all our stakeholders regarding the Sampath brand image.

Information Security

► GRI 418

Context	Impact Assessment						
With the rapid advancement of digital technology in all aspects of our business, protecting our information and data assets is seen as a mission critical priority to safeguard our reputation and prevent possible financial losses.	A solid information security framework allows the Bank to explore new opportunities and partnerships for the purpose of business growth and stakeholder value creation. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td>  medium </td><td>  low </td><td>  medium </td></tr></table>	Economic	Environment	People	 medium	 low	 medium
Economic	Environment	People					
 medium	 low	 medium					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Sampath Bank's Information Security ecosystem has been benchmarked against internationally recognised standards, including ISO 27001:2013 Information Security Standard, which has been in place since 2016. In addition, we are working to align our systems with relevant regulatory requirements including the CBSL Direction No. 16 of 2021 on "Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks" and Personal Data Protection Act No. 9 of 2022. The Bank has undertaken several parallel projects in order to comply with the respective target dates set out under these directives.	We have implemented a range of multi-layer security safeguards, including a clear segregation of authority to access different systems and privilege user access management to prevent unauthorised security breaches. Moreover, we strive continuously to improve the robustness of Information Security architecture by focusing on three key elements; ➤ Investing in the latest developments in the global Information Security related products and solutions. ➤ Raising awareness among employees, customers and other stakeholders regarding cyber risks and in particular new social engineering and phishing techniques. ➤ Strengthening the governance framework to ensure risks are regularly reviewed and appropriate proactive and reactive measures are in place as and when needed.	The Information Security Department maintains continuous and ongoing monitoring to determine the Bank's sensitivity to Information Security Risk. Internally, we have strict protocols to monitor privileged user login activity on the PAM (Privileged Access Management) platform and across all critical systems. We also conduct quarterly vulnerability assessments as well as an annual information security risk assessment to determine both internal and external threats and evaluate associated Information Security Risk. The incident reports generated by the Incident Response Team also serve as an important tool to mitigate the impact of information security threats. These efforts are further complemented by the annual surveillance audits conducted as part of the ISO 27001:2013 re-certification process and the annual CBSL compliance requirements. These due diligence activities help to identify gaps that need to be addressed.

DETAILED MATERIAL TOPICS

Talent Acquisition and Management

► GRI 401/405

Context		Impact Assessment						
To ensure Sampath Bank's competitive edge over peers and realise the Bank's strategy and long-term vision, we need to have the right people who are the right fit for our business proposition and value culture.		Our Talent Acquisition and Management framework is a key lever that supports our ability to attract and retain a high calibre team to drive Sampath Bank, notwithstanding challenges. <table> <tr> <th>Economic</th><th>Environment</th><th>People</th></tr> <tr> <td> medium</td><td> low</td><td> high</td></tr> </table>	Economic	Environment	People	 medium	 low	 high
Economic	Environment	People						
 medium	 low	 high						
Management Strategy and Commitments	Key Actions	Evaluation and Reporting						
We strive to attract and retain the best in-class talent with the right mix of technical and behavioural competencies to meet our targeted business requirements based on the following principles; ➤ Abiding by the Labour Law. ➤ Encouraging female participation in the workforce through the provision of non-discriminatory and equal opportunity employment in line with global best practices outlined by the ILO (International Labour Organisation) guidelines as well as the UN Global Compact for human rights and labour. Accordingly, we uphold the right to equal pay and maintain a 1:1 equal pay ratio to ensure that men and women performing similar roles are remunerated equally. Our non-discriminatory approach extends across the employment lifecycle where we do not at any point discriminate based on age, gender, religion, marital status or any other condition protected by law. ➤ Demonstrating our commitment towards the effective abolition of Child Labour and the elimination of forced or compulsory labour. ➤ Ensuring a safe working environment free of harassment. Our leadership principles dictate the managers lead by example in respectful treatment to colleagues.	The Bank is committed to offer competitive remuneration on par with market standards. We regularly review our salary and benefit packages to assess our position vis-à-vis industry benchmarks and ensure our team benefits from market competitive pay and rewards at all times. In addition to the basic salary, all permanent employees of Sampath Bank are entitled to the following benefits; ➤ Reimbursement for professional education. ➤ Loan schemes. ➤ Various allowance schemes. ➤ Educational loans. ➤ Personal Accident Insurance Scheme. ➤ Medical facilities including Critical Illness and Cancer Funds, and Death Gratuity. ➤ Travel expenses on a need basis. ➤ 84 days of maternity leave as well as regulated nursing hours for mothers of newborns. ➤ Early retirement scheme for employees completing a minimum of 45 years of age. ➤ Special leave entitlements including the new scheme introduced in 2021 to pursue overseas postgraduate education on a subject relevant to the job or to be employed in a Bank/Financial Institution abroad. ➤ Holiday bungalow facilities. Beyond this, we strive to create a robust work environment that is both challenging and rewarding, in order to give employees the opportunity to pursue both personal and professional growth. Our approach is based on developing a strong performance-driven culture to facilitate employee growth and career progression. We assign business objectives at every level and to support this, we regularly engage with employees to ascertain their performance and identify the root cause for any performance gaps, if any. A formal performance appraisal mechanism is in place to facilitate goal setting and to enable employees to align their goals with the Bank's short-term goals as well as long term strategic agenda, while Mid and End Year Reviews serve as a transparent mechanism to assist employees to evaluate their contribution in line with expectations of the Bank.	We use the following indicators to measure the success of our talent acquisition and management approach: ➤ Employee Retention Ratio. ➤ The number of employees promoted across each employee category. ➤ 1:1 Employee Back-up ratio for Key Managerial Positions. ➤ Return to work ratio after maternity leave.						

Talent Acquisition and Management Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
A framework of Board approved HR policies and procedures creates a foundation for implementing compliance and best practices for the benefit of all our employees. These policies and procedures are maintained under the stewardship of the Bank's HR Department. The HR Department under the leadership of the Chief Human Resource Officer regularly reviews and updates policies and procedures to reflect new compliance requirements and latest best practices that may become relevant from time to time. The HR Department is further required to monitor the implementation of these policies without exception and the responsibility lies upon the respective unit heads.	Our Performance Based Bonus Scheme and Recognition Schemes further demonstrates Sampath Bank's commitment to drive a high performance work culture. The new Performance Management System and Performance Based Bonus Scheme is planned to be launched in 2023 for which the groundwork was completed in the year under review.	

Learning and Development

GRI 404

Context	Impact Assessment						
Our competitive position, our success as a Bank and the continuity of our business, depend on our people having the required competencies.	Learning and development paves the path for personal and professional growth of employees, thus enabling them to become productive members of society who contribute towards fueling economic activity. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> medium</td><td> high</td></tr></table>	Economic	Environment	People	 high	 medium	 high
Economic	Environment	People					
 high	 medium	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Our learning and development strategy seeks to achieve two key objectives; - Ensuring that all employees have access to learning and development opportunities which enable them to be suitably knowledgeable and skilled to carry out their designated roles. - To develop their talents in ways that fit with the Bank's long term growth trajectory.	All business units are required to carry out a detailed training needs assessment for the forthcoming year, covering their annual training needs, based on their overall business objectives as well as the individual training requirements identified through data collected for the first and third quarters of each year through Branch Competency Level Assessment conducted in the second and fourth quarters respectively. Training needs identified in this way are collated and form the basis for the annual training plan. The execution of the annual training plan falls under the purview of the Sampath Learning Academy (SLA). The SLA team continuously taps into the Bank's in-house expertise as well as external sources including overseas training, to expose our employees to areas pertaining to their jobs as well as on industry best practices and regulatory matters. In recent years, we made important strides in advancing our learning and development approach by promoting experiential learning to help employees ease into the Bank's digital transformation agenda and introducing e-learning tools to create a continuous learning environment. Our learning and development agenda also includes special programmes that support our efforts to build a stable talent pipeline, capable of taking ownership for the Bank's future prospects.	The annual performance appraisal mechanism and the post-training feedback process, both serve as key tools that help to determine whether learning and development activities are delivering the desired results.

DETAILED MATERIAL TOPICS

Learning and Development Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
As such, decisions about investment in learning and development are made bearing in mind the needs of the business as well as the individual needs of each employee.	Individual training plans are drawn up for employees earmarked for development through the annual performance appraisal process. This often includes highly specialised training opportunities conducted by global leadership training institutes to enable our future leaders to benefit from learning the latest tools and techniques. In addition, we have appointed our Senior Management team as knowledge leaders to ensure tacit knowledge is shared among these future leaders of the Bank. To help strengthen our internal training resources in order to meet the future training needs of the Bank, we have also started a special "train-the-trainer" series to create a specialist trainer pool for banking related topics. Since 2020, almost 90% of training activities have been conducted via the Bank's e-learning platform and other online tools such as webinars. Following the relaunch of Vidvan in early 2022, we now maintain a classroom to online learning ratio of 15:85.	

Employee Relations

► GRI 402

Context	Impact Assessment						
We believe that strong employee relations is the key to secure the commitment of our employees towards the Bank's current and future prospects.	Good relations with employees enhances team spirit and motivation, ultimately leading to more effective and efficient delivery of stakeholder aspirations. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> medium</td><td> low</td><td> high</td></tr></table>	Economic	Environment	People	 medium	 low	 high
Economic	Environment	People					
 medium	 low	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
We operate on the premise that constructive dialogue between the Bank's Management, and employees (or their representatives) is a fundamental principle for building trust-based relationships. It is why we consider Sampath Bank Employees' Association (SBEA) to be a vital stakeholder in our business. With over 98% of Team Sampath being members of the SBEA, our relationship with the SBEA is based on mutual respect and understanding. While the SBEA engages in collective bargaining on behalf of its members, the need for a formal collective bargaining agreement has not arisen as both parties have continued to work closely to safeguard employee interests as well as to achieve corporate objectives.	The following communication channels are in place to facilitate ongoing interactions between employees and the Bank's Management; ► "MD's Desk", a platform used to provide vital information, share business plans and Management expectations. ► "MD's Business Club", an internal blog where employees can directly reach out to the Sampath Bank Managing Director. ► "Sampath Sandeshaya", the quarterly in-house magazine which carries news items, information regarding the Bank's clubs/societies, articles and illustrations of employees, while extending the opportunity for the children of employees also to contribute. ► "Yammer" social media platform to promote employee engagement in a more informal setting. Employees also have access to the following grievance reporting mechanisms; ► Formal grievance procedure. ► "HR Business Partner", which creates a link between the Bank's Management and branch teams and thereby acts as a key enabler to address concerns raised by employees at a granular level.	The feedback we receive from team members and SBEA is an important tool to determine if employees are satisfied with the Bank's employee relations framework. We also monitor the grievances received through various channels and seek out confirmation from respective employees to assess if they have received a satisfactory resolution.

Employee Relations Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
The Management works in collaboration with the SBEA to exchange ideas for the improvement of working conditions and the health and safety of employees. Meanwhile, the HR Department also continues to play a key role in helping employees to manage changes arising from the Bank's digital transformation agenda. A special communication team has been established within the HR Department for this purpose. Working closely with business units, the HR communication team strives to understand employee concerns.	➤ HR Hotline, a 24/7 call-in line which allows employees to directly connect with the HR Department. ➤ "Helping Hands - Counselling Cell", an independent professional counselling service to offer support to employees facing personal, family or work-related challenges. The following initiatives have been implemented with the aim of further strengthening the bond between the Bank and its employees; ➤ "Sampath Daru Daskam" event held once in every two years to recognise the aesthetic talents and achievements of our employees' children. ➤ "Rewards for Children of Team Sampath", another programme held once in every two years to reward employees' children who have excelled in major public examinations, sports or have gained special recognition at the national level during a given year. ➤ "Sampath Rising STARS" programme to develop leadership skills of the children of Team Sampath. ➤ "Sampath Nite" dinner dance for employees and their family.	

Employee Engagement

Context	Impact Assessment						
In order to succeed in an increasingly competitive environment, it is vital that our employees remain fully engaged in the Bank's success. We believe such employees are most likely to stay motivated; increasing our overall productivity.	Employees who are fully engaged and invested in the business are more committed and hence motivated to innovate and ideate for better results. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> medium</td><td> high</td></tr></table>	Economic	Environment	People	 high	 medium	 high
Economic	Environment	People					
 high	 medium	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
We have a planned approach focused on building strong connections with our team members both individually and collectively as Team Sampath, to ensure every member of our team is deeply committed to the Bank's core values and purpose.	We believe it is important to create a work environment where our team members feel that they are recognised for their talents and valued for their contribution to the Bank. We continue to invest considerable resources each year to provide our team members with an unparalleled range of engagement opportunities, including; ➤ "Sampath Service Awards" Long Service Awards, in appreciation of long serving employees. ➤ "Sampath STARS" (Special Thanks and Recognition Scheme) recognise employees for their exemplary contribution and commitment to business, core values and various other spheres. ➤ Annual activity calendar of the Sampath Bank Sports Club to foster team spirit and camaraderie through various sports and recreation activities, including Sampath Nite - the entertainment evening of Sampath family, "Sampath Colours Nite" to nurture and support sports at all levels and recognise achievements of sports personnel of the Bank. ➤ Activities conducted through various other Clubs and Societies including the Buddhist Association, the Photography Club, the Toastmasters Club and the Bank's Welfare Society. ➤ Opportunity to volunteer for the Bank's Corporate Social Responsibility initiatives. ➤ Women empowerment initiative to promote active discussion between Senior Corporate Management members and female employees to find solutions for possible challenges faced by them. ➤ Implementation of "Sampath Sashreeka" to encourage sustainable home gardening.	The feedback received from team members provides an indication with regard to the effectiveness of our current engagement programmes and areas which require improvements.

DETAILED MATERIAL TOPICS

Employee Health and Safety

► GRI 403

Context		Impact Assessment								
Despite being a service organisation that poses minimal occupational health and safety risks to its employees, Sampath Bank considers the safety and wellbeing of its employees to be a top priority. The Bank believes that a safe and secure work environment helps to earn the trust and loyalty of employees.		Ensuring that our workforce is healthy both physically and mentally, improves the general wellbeing of the communities in which they live.								
		<table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> medium</td><td> low</td><td> high</td></tr></table>			Economic	Environment	People	 medium	 low	 high
Economic	Environment	People								
 medium	 low	 high								
Management Strategy and Commitments		Key Actions		Evaluation and Reporting						
We comply with all recommended national safety regulations to ensure the safety of all persons (employees, customers, suppliers and other visitors) within the Bank premises. At the same time, the Bank's Management works with a few cross-functional teams, including SBEA (Sampath Bank Employees' Association) to exchange ideas for the improvement of working conditions and the health and safety of employees. Fire Safety and Emergency Evacuation Drills are conducted annually, while safety trainings are carried out on a planned basis as a safety measure.		To ensure the health and wellbeing of our employees, all staff and their families are covered by a comprehensive medical scheme. Further, all employees are covered by a personal accident insurance scheme. All employees also have access to annual medical screening facilities, while a Critical Illness Fund and Cancer Fund have been established to provide assistance as needed. In addition, in the event of a death of an employee, his/her family is entitled to a Death Gratuity payment. At the same time, the Bank continues to focus on raising awareness on the prevention of non-communicable diseases as well as undertaking various initiatives to promote healthy lifestyles and improve general wellness. Given the nature of our business, our employees are not exposed to occupational health risks. Hence, Sampath Bank does not have an occupational health and safety management system or a dedicated committee for this purpose. However, following the onset of the COVID-19 pandemic in 2020, the Bank established the COVID-19 Steering Committee to oversee the implementation of all recommended COVID safety protocols and encourage all employees to obtain necessary vaccinations. At present, COVID safety procedures continue to be reviewed periodically and implemented as needed to safeguard the wellbeing of employees.		Injuries and illnesses are monitored by the HR Department.						

Anti-Corruption Practices

► GRI 2-26/205

Context	Impact Assessment						
The legitimacy of our business as a Bank rests on our reputation for acting with integrity at all times. Anti-corruption practices play a vital role in achieving this objective.	By conducting our business in line with the highest standard of ethics and integrity, Sampath Bank contributes towards strengthening the credibility of Sri Lanka's financial system leading to better socio economic prospects for the country as a whole. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> low</td><td> high</td></tr></table>	Economic	Environment	People	 high	 low	 high
Economic	Environment	People					
 high	 low	 high					

Anti-Corruption Practices Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
The Bank promotes a culture of honesty and fair dealing and encourages employees to observe ethical business practices at all times without attempting to improperly influence others or be influenced by others (directly or indirectly) by paying or accepting bribes or kickbacks in any form. Our Code of Conduct for Employees outlines the Bank's stance on fair dealing and compliance, while the Code of Conduct for Corporate Management and the Code of Conduct and Governance Requirements for Directors create a foundation for the Bank's Management and Board of Directors to execute their duties ethically and in alignment with the Bank's values. The Code of Conduct makes special mention of our Anti-Bribery and Corruption (ABC) and the Policy on Accepting and Presenting of Gifts and Favours (Gift Policy) that prohibits any Bank employees from granting or accepting bribes/gifts/facilitation payments to obtain any improper business or other advantage. This highlights the specific compliance requirements relating to these prohibitions and reinforces the Bank's commitment to conducting business in line with the highest level of honesty and integrity. Given that it is part of the Code of Conduct, both the ABC and Gift Policies apply to all Bank employees without exception. In addition, it also applies to non-controlled persons or entities who provide goods or services under contracts such as suppliers, contractors and service providers etc.	The Board sets the tone from the top and leads by example emulating the Code of Conduct and any policies and procedures contained therein including the anti-bribery and corruption policies. Any employee whose actions are found to be in violation of the Code of Conduct or the ABC Policy/Gift Policy, are investigated fully and dealt with summarily through appropriate disciplinary action. In addition, the Bank's Whistle Blowing Policy allows employees to report potential irregularities, financial misappropriations and alleged incidents of bribery or corruption in confidence and without the risk of reprisal. As per the Whistle Blowing Policy, when a whistleblower makes an allegation, an immediate investigation is launched into the alleged incident and the whistleblower is kept apprised of the progress at every stage of the investigation. Raising awareness is a key part of enforcing Bank-wide adherence to these policies and procedures. In particular, we have undertaken special measures to educate our employees including all Directors regarding money laundering, terrorist financing, which we feel are some of the areas that have the potential to give rise to bribery and corruption in the banking and financial services industry.	The planned schedule of Bank-wide compliance audits and the routine internal audit procedures help to determine if code and policies are being enforced in practice. Meanwhile, the Bank's Whistle Blowing Policy, also serves as an important mechanism to determine any loopholes that exist in our overall policy framework and in monitoring.

Customer Convenience

Context	Impact Assessment						
Given the stiff competition in the local banking industry, differentiation is the key to gaining a competitive edge over peers. Customer convenience is one of the most important ways in which differentiation can be achieved in the banking business.	Creating new and more convenient ways for customers to do their banking, drives economic activity and also helps to promote greater financial inclusion. Moreover, digital banking solutions are significantly more convenient while also being the more environmental friendly option. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> high</td><td> high</td></tr></table>	Economic	Environment	People	 high	 high	 high
Economic	Environment	People					
 high	 high	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
While striving to put the customer at the center of everything we do, we aim to be known as the benchmark for customer convenience in the local banking industry.	Our branch footprint too is structured to support our customer convenience ideology. Consisting of 229 fully-fledged branches across Sri Lanka, our branch network is one of the most geographically dispersed branch network in the country. It is also the third largest network among local private banks. All our branches remain open during normal banking hours from 9.00 a.m. to 3.00 p.m., while super branches offer banking services on Saturdays as well.	We conduct regular customer satisfaction surveys to determine their perceptions on how Sampath Bank is differentiating itself through its products and services and compare our overall customer value proposition in terms of the level of convenience, accessibility and affordability etc.

DETAILED MATERIAL TOPICS

Customer Convenience Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
As a multi-service bank, our diversified line of products and services are designed to serve different categories of customers; individuals or retail customers, corporates, SMEs etc. In each case, our aim is to differentiate our offerings from peers by helping our customers to make their banking experience simple, quick and convenient.	Our branch infrastructure includes; ATMs, Cash Deposit Machines, as well as a growing network of Cheque Deposit Machines and Virtual Teller Machines. In addition, we maintain an island-wide network of 88 off-site ATMs. At the same time, we invest in training our team to enable them to provide our customers with a world-class banking experience. We are always looking for new and more innovative ways to give our customers a more convenient banking experience. Accordingly, in recent years, we have been leveraging the rapid growth in internet penetration levels across the country, to expand our suite of digital banking solutions. Each year, we dedicate considerable resources to develop and deploy ever more convenient digital solutions as well as to convert many of our traditional banking products into the digital format. As part of this effort, we have begun investing in creating digital centers at our branches to encourage more and more customers to migrate to digital banking solutions that are not only more efficient and effective, but also more affordable to all customer segments. Our fully fledged digital banking infrastructure, including the Sampath Vishwa online banking portal, the Vishwa Corporate platform, the Sampath WePay virtual wallet and Sampath Cash Management Solutions are all designed to present the ultimate in customer convenience. As part of our ongoing efforts to introduce banking convenience to more and more Sri Lankans, we have also partnered with Dialog Axiata PLC to empower their island-wide network of agents to offer basic banking services to rural communities across the country, under the brand name of "eZ Banking".	

Customer Health and Safety

► GRI 205-1/416

Context	Impact Assessment						
As a service organisation, the financial products and services we offer do not cause any direct physical harm to customers who consume them. Nonetheless, we consider it our duty to ensure that our products and services reflect Sampath Bank's commitment to ethics and integrity.	We believe our purpose as a Bank is to ensure that the financial products and services we offer are not used in the furtherance of financial crime, such as money laundering, financing of terrorism, fraud and corruption activities that could potentially undermine the country's economic stability, or cause any damage to the environment or threaten the wellbeing of communities. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> high</td><td> high</td></tr></table>	Economic	Environment	People	 high	 high	 high
Economic	Environment	People					
 high	 high	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Our approach is based on acting responsibly in everything we do. We remain firmly committed to ensuring that every one of our products and services conform to the Board-approved Product Policy, setting out clear guidelines for product design, development and deployment in compliance with all applicable laws and regulations for licensed commercial banks, including; the guideline on Money Laundering & Terrorist Financing Risk Management for Financial Institutions No. 01 of 2018, the Financial Institutions (Customer Due Diligence) Rules No. 01 of 2016 and the Financial Transaction Reporting Act No. 06 of 2006.	As per the guidelines set out under the Product Policy, a comprehensive analysis of each product is conducted prior to its release to the market, starting with design, where all products are vetted by the Screening Committee, which takes into consideration such matters as social, environmental implications as well as the legality of the product.	The Product Policy imposes specific responsibilities on a given product owner and stipulates Annual and Bi-annual product and service reviews which provide assurance to the customer that they are receiving the benefits promised by the Bank. Moreover, the Compliance Department maintains a comprehensive monitoring framework to monitor adherence to internal anti-money laundering policies and procedures, while the mandatory signoff of the pre-credit evaluation team and where appropriate, additional approval of the Risk Management Unit (RMU) is sought prior to disbursement of lending facilities.

Customer Health and Safety Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
In addition, the Bank's Credit Policy sets out clear guidelines to support sustainable lending activities. The Credit Policy, which has been developed on par with global best practices, also references the IFC (International Finance Corporation) Exclusion list to specify the types of projects/businesses that the Bank will refrain from lending to.	Furthermore, we apply rigorous pre-credit evaluation to determine the viability of each individual loan application, including stringent due diligence protocols to validate customer credentials. We also invest in training to ensure our staff are well aware of the policies and procedures as well as the latest developments and industry best practices with regard to the prevention of financial crime.	The Risk and Control Self-Assessment (RCSA) process is carried out annually by the RMU to highlight areas for improvement. The Bank's Whistle Blowing Policy, which allows employees to anonymously report potential irregularities or financial misappropriations, is another important channel to identify any loopholes that exist in our overall policy framework.

Sales Promotions, Marketing Communications and Information Availability on the Bank's Products and Services ▶ GRI 417,417-1

Context	Impact Assessment						
Our Sales Promotion and Marketing Communication activities are an important part of how we connect with our customers. It also serves as a highly effective medium to showcase our strength and thereby differentiate our value proposition from that of peers.	Every one of our campaigns are unique and designed to improve visibility and raise awareness about our products and services to enable individuals and corporations to make informed decisions regarding the most appropriate banking solutions for their precise needs. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> medium</td><td> medium</td><td> high</td></tr></table>	Economic	Environment	People	 medium	 medium	 high
Economic	Environment	People					
 medium	 medium	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Our aim is to deliver a fair, honest and equitable service to our customers and in doing so, ensure that their interests are protected throughout their relationship with us. While the design, layout and chosen medium of our campaigns may vary depending on our tactical marketing strategies, Sampath Bank's commitment to provide all customers with adequate, timely and relevant information to enable them to make informed decisions, remains unchanged.	To execute this commitment, we ensure that all our product promotions, sales and marketing communications are consistent with legal and regulatory frameworks and other best practices in the local banking industry. As such, we ensure that all our promotional material and customer communications comply with all applicable regulatory requirements including the guidelines for the protection of customer rights as stipulated in the Customer Charter for Licensed Commercial Banks in Sri Lanka. Furthermore, we take into consideration the rules of institutions such as Visa and Mastercard with whom we have ongoing partnerships and respect generally accepted ethical rules, industry norms practiced by the local banking industry. In addition, we invest in regular product training initiatives to ensure all front line employees are kept informed regarding new disclosure requirements that may become relevant from time to time for certain banking products or services.	The Customer Experience Surveys together with the Brand Health Studies conducted at regular intervals provide an opportunity to obtain direct feedback from customers regarding the effectiveness of our Sales Promotion and Marketing Communication materials. The number of customer queries/complaints received regarding the clarity and transparency of our advertising campaigns also serves as a good indicator of the success of our campaigns.

Customer Privacy

▶ GRI 418

Context	Impact Assessment		
To carry out the business of lending and mobilising deposits, it is vital that we gain the trust of our customers. Our ability to protect confidential customer information and safeguard customer privacy is one of the most important ways in which this is achieved.	Violation of customer privacy can have serious negative consequences for the Bank. The breach of trust can potentially damage the Bank's reputation, in turn affecting customer confidence and threatening the long term growth prospects of the Bank.		
	Economic  high	Environment  low	People  medium

DETAILED MATERIAL TOPICS

Customer Privacy Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
We consider the customers' willingness to share personal information as a sign of trust in the Bank and as such, remain fully committed to respect the privacy rights of customers at all times. As per the guidelines for the protection of customer rights stipulated under the Customer Charter for Licensed Commercial Banks in Sri Lanka, Sampath Bank does not disclose customer information to third parties, unless otherwise compelled by law. Following the enactment of the Personal Data Protection Act No. 9 of 2022 in March 2022, the Bank appointed a dedicated Data Protection Officer to oversee the implementation of the provisions of the act in compliance with the stipulated timelines.	With large volumes of customer information collected within each business day, our approach to customer privacy is based on creating a secure internal environment where all customer information is treated with utmost respect and confidentiality. Accordingly, information obtained at the time of customer on-boarding, including through the KYC (Know-Your-Customer) as well as information about the customer's internal transactions history, are all archived in the Bank's digital information vaults which have several layers of inbuilt security and access controls. Furthermore, any information deemed sensitive is transmitted via secure channels and then stored in the Bank's databases, with such information made accessible to only authorised persons. Numerous other safeguards are also in place. These include; ➤ The customer verification procedure by the Customer Care Centre which is tasked with conducting several layers of positive identification before assisting clients with their needs. ➤ Monitoring of ATMs to identify attempts of fixing card data/PIN skimming devices. Annual security awareness programmes are conducted to raise awareness among all staff regarding the importance of protecting confidential customer information. In addition, multi-level security verification protocols have been implemented across most of the online channels to ensure the security of account information and related details. As part of our ongoing online safety enhancement measures, the OTP (One-Time-Password) has been introduced for Sampath Vishwa personal banking users. Meanwhile, the Bank's corporate website contains an updated Privacy Policy that outlines our approach to collection and use of their Personal Identification Information (PII) in compliance with the Personal Data Protection Act No. 9 of 2022. We also conduct regular awareness campaigns through SMS, corporate website and social media to remind our customers to be mindful about protecting their personal information, PIN, ATM and credit card details from being misused.	➤ Number of customer complaints regarding breach of confidential customer data, measured in terms of number of ILED (Internal Loss Event Data Reporting) during the year. ➤ Number of incidents of security breaches reported to the Incident Response Team. ➤ Number of complaints received by the Customer Care Centre.

Complaint Management

➤ GRI 418

Context	Impact Assessment						
We believe that effective complaint resolution is a key measurement of customer satisfaction. Our endeavour to provide the best-in-class customer experience, therefore includes the prompt resolution of complaints raised by customers.	Providing quick and effective resolution to complaints builds customer confidence and increases customer loyalty towards the Bank, thereby creating a platform for more sustained growth over time. Customer complaints also serve as an important learning tool that helps to continuously refine and expand our products and services to better serve the evolving needs of various customer segments and also support the creation of more environmental-friendly solutions. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> high</td><td> high</td></tr></table>	Economic	Environment	People	 high	 high	 high
Economic	Environment	People					
 high	 high	 high					

Complaint Management Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
At Sampath Bank, we consider all complaints equally important and work towards offering a speedy yet credible solution to ensure the customer is satisfied that his/her issue is resolved. We have provided our customers a wide range of channels to voice their complaints. These include; mail, e-mail, telephone, online through the chat facility on our corporate website and through social media platforms. Alternatively, customers are also welcome to walk into any branch to make a complaint.	Complaints received from all sources are captured centrally through the Complaint Handling System (CHS) maintained under the purview of the Customer Care Center. All complaints recorded on the CHS are escalated automatically to the respective complaint owner who is typically the relevant authority in charge of the area. Accordingly, for each and every complaint received, the recipient of the complaint is required to activate a complaint loop by raising a CCER (Customer Complaint Event Reporting) through the system. The relevant complaint owner is immediately notified of the CCER via the system. The complaint owner is required to take appropriate action to resolve the complaint within the stipulated response times. Complaints received via social media platforms are compiled by our Social Media Agency and sent to the Customer Care Center for recording and resolution through the CHS.	The progress of complaint resolution is tracked through the system with unresolved complaints exceeding the target response times being escalated to the respective supervisory authorities for necessary action. Before a complaint loop is closed, the Customer Care Centre will ensure that the customer matter is resolved through respective stakeholders. The CHS provides a range of complaint analysis dashboards, with special focus on highlighting recurring complaints. Data on recurring complaints are escalated to the respective line management for their recommendations for appropriate policy/procedural changes. This approach is aimed at generating a year-on-year reduction in the number of recurring complaints over time.

Research and Development

Context	Impact Assessment						
We are always looking for new and more innovative ways to serve our customers by catering to their diverse needs in a more holistic manner. Research and Development (R&D) is the key lever that helps us to achieve this objective.	R&D is an important tool that allows the Bank to identify customer needs, understand market trends and keep abreast of the latest developments in the global banking sphere. These insights have proven to be invaluable in supporting the Bank's efforts to deliver economically viable, environmental-friendly and socially relevant products and services. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> medium</td><td> high</td></tr></table>	Economic	Environment	People	 high	 medium	 high
Economic	Environment	People					
 high	 medium	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
At Sampath Bank, R&D is a continuous and ongoing process and a significant allocation from the annual budget is made to ensure adequate resources are available for all Sampath Bank R&D requirements.	Our research activities are three fold; ➤ Market Research to identify how customer needs are evolving in order to realign our product portfolio accordingly. The decision to conduct market research lies with the Bank's Marketing Department. If there is a need for market research, the Marketing Department will usually commission an independent third party to carry out the desired activities. ➤ Decide on the need for product rationalisation based on the performance, relevance and life cycle of existing products. ➤ Test the market prior to the launch of a new product or service. ➤ Scope out the market for new products/services. ➤ Determine opportunities to tap into new customer segments.	The market uptake for new products and digital solutions provide a clear indication of how successful our R&D efforts are.

DETAILED MATERIAL TOPICS

Research and Development Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
	- Product Research conducted by the Bank's in-house IT Department focuses on understanding how the latest digital banking trends can be adapted to develop new digital solutions that can give Sampath Bank first mover advantage across all key customer segments. More recently, we have also begun using advanced data analytics to study and map customer behaviour. In turn, we use these findings to feed our innovation processes and help create products and services that cater to the precise needs of our customers. Our Market Research activities also provide valuable insights regarding the potential for new products and markets etc. - Product Lifecycle Management (PLM) involving routine research to determine the social relevance of the Bank's products and services. The PLM process is managed under the stewardship of the Product Rationalisation Committee, a management level committee charged with overseeing the continuous improvement of the Bank's product basket to reflect the current demands of customers.	

Financial Inclusion Agenda

► GRI 2-6

Context	Impact Assessment						
As a leading commercial bank in the country, Sampath Bank is ideally positioned to pave the way for more and more Sri Lankans to move towards formal banking channels. Our Financial Inclusion Agenda is the key enabler in achieving this objective.	By encouraging underbanked and unbanked communities across Sri Lanka to adopt formal banking practices and use established channels and also by motivating more people and businesses around the country to use a wider range of banking services, we hope to reduce poverty and increase prosperity over time. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> low</td><td> high</td></tr></table>	Economic	Environment	People	 high	 low	 high
Economic	Environment	People					
 high	 low	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
Our commitment to promote financial inclusion is based on a combined approach encompassing tailor-made products, customised distribution channels and special customer education.	Our Agency Channel (eZ Banking agent network) is the main driver in Sampath Bank's endeavour to promote financial inclusion. Access to the eZ Banking network is made possible through a partnership between Sampath Bank and Dialog Axiata PLC. eZ Banking agents are appointed by the Bank and authorised to offer basic banking services and in this way serve as a vital link to enable grass root level communities to access formal banking channels. Agents are typically small business owners in the community, often the proprietor of a local communication shop, grocery, minimart, hardware etc. The Bank's digital banking channels, including the Sampath Vishwa and WePay mobile apps have also proven to be a key platform for promoting greater financial inclusion among potential customers. Improving financial literacy among grass root level communities is also a major priority under our Financial Inclusion Agenda. Our financial literacy programme series - "Sampath Saviya" is an ongoing initiative that has been in place for the past 9 years. It is a capacity building effort that targets Micro, Small and Medium Scale Entrepreneurs (MSMEs). In addition to building their financial literacy skills via the programme series, we also work to develop these entrepreneurs and potential entrepreneurs and raise them to a standard where they have the credentials to seek financial assistance from formal banking channels. The next step is to offer them appropriate financial solutions to ensure these target groups have access to quality financial products and services at a fair price.	The success of our approach can be measured by the number of Micro, Small and Medium Entrepreneurs (MSMEs) groomed under the "Sampath Saviya" programme as well as the number of banking transactions routed through the eZ Banking channel.

Financial Inclusion Agenda Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting												
	Over the years, the “Sampath Saviya” programme has evolved with several of the recent programmes focused on encouraging youth, women and budding entrepreneurs to embrace financial independence and become productive members of society. In this manner, the “Sampath Saviya” initiative demonstrates Sampath Bank’s efforts to support the achievement of the United Nations Sustainable Development Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth) and Goal 10 (Reduced Inequalities). As part of our overall approach in promoting financial inclusion, we encourage our micro and small scale suppliers to adopt mainstream banking channels. In our efforts to promote financial inclusion, we engage with our local suppliers and service providers to help them derive the benefits of formal banking. As such, we have included a clause in our Procurement Policy, making it mandatory for all new suppliers to open a Sampath Bank account. In the year 2022, the Bank leveraged its partnership with Paycorp International (Pvt) Limited to become the first local bank to enable small businesses to receive payments using any LankaQR enabled apps and digital wallets. In parallel, the Bank tied up with UnionPay International ™ (UPI) to facilitate e-commerce transactions by establishing direct connectivity to UPI’s secure payment gateway and payment aggregator services. Also in the year 2022, the Bank commenced implementing a fully-fledged Procure-to-Pay (P2P) system which, once completed would integrate purchasing and accounts payable systems to further reinforce the principles of financial inclusivity among the supplier base. Number of Registered Suppliers and Service Providers <table><tr><th>Department</th><th>Number</th></tr><tr><td>Engineering</td><td>347</td></tr><tr><td>Logistics</td><td>149</td></tr><tr><td>IT</td><td>197</td></tr><tr><td>Marketing</td><td>52</td></tr><tr><td>Total</td><td>745</td></tr></table> Our supply chain consists of over 700 such local suppliers who cater to the needs of the Bank in various areas across the island. All suppliers are on-boarded through the Supplier Registry maintained by the Bank. The Supplier Registry includes a minimum of two suppliers for each supplier category, while a minimum of three suppliers are maintained to minimise the disruptions of critically important supplies and services. Under the supervision of the procurement function, the Supplier Registry is updated every three years. This gives an opportunity to all new suppliers to register with the Bank, while existing suppliers are also expected to re-register at this point. Selecting suppliers from the Supplier Registry is done through a tender procedure that creates a healthy level of competition and secrecy, where all applicants are considered on an equal basis. The Bank’s Procurement Committee is responsible for the screening and selection of suitable suppliers/service providers, a process that allows us to assess and minimise the risks involved in purchasing from different sources. The Procurement Committee adopts a broad-based approach to select suppliers with due consideration to the supply chain risk and emerging trends. (Supplier Evaluation Model is shown on page 131 of this Report). In light of the COVID-19 pandemic environment in the year 2021, the Procurement Committee further strengthened the supplier selection process with the inclusion of additional evaluation criteria requesting suppliers to provide necessary certifications from respective governing bodies confirming their products conform to all relevant regulatory standards. Moreover, in an effort to benchmark the Bank’s procurement framework against the global best practices, a Chief Procurement Officer (CPO), was appointed with effect from 1st April 2021. The CPO who functions as an independent evaluator, is responsible for reviewing all procurement proposals prior to submission to the Procurement Committee for necessary approvals.	Department	Number	Engineering	347	Logistics	149	IT	197	Marketing	52	Total	745	Similarly, the number of accounts opened to suppliers annually serves as a good indicator of the success of our efforts to promote financial inclusion among our suppliers.
Department	Number													
Engineering	347													
Logistics	149													
IT	197													
Marketing	52													
Total	745													

DETAILED MATERIAL TOPICS

Community Development

► GRI 413

Context	Impact Assessment		
To demonstrate our commitment to the country and its people, we want to play a responsible role in serving the community by finding meaningful solutions to address the root cause of community issues.	Investing communities helps to uplift the lives of socially and economically disadvantaged communities across Sri Lanka and empowers them to raise their socio-economic status and move out of poverty and become key catalysts in the nation's economic development.		
	Economic  high	Environment  medium	People  high
Management Strategy and Commitments	Key Actions		Evaluation and Reporting
We aim to tackle Sri Lanka's emerging socio-economic challenges by investing in solutions that can deliver meaningful long term change for grass root level communities. In an effort to empower these communities and give them the tools they need to become architects of their own success, Sampath Bank has adopted a Socially Responsive CSR Model to focus more deeply on Corporate Sustainability, rather than mere CSR. Through our Socially Responsive CSR Model, we are looking to achieve the following key objectives: ➤ Contribute towards resolving key national issues. ➤ Support the socio-economic progress of Sri Lanka. ➤ Provide significant sustainable solutions that address the root cause of socio economic challenges faced by communities. ➤ Promote sustainable value creation. ➤ Promote stakeholder engagement among community groups. ➤ Serve the United Nations 2030 Sustainable Development Goals, in particular Goal 1 (No Poverty), Goal 2 (Zero Hunger), Goal 3 (Good Health and Wellbeing), Goal 4 (Quality Education), Goal 5 (Gender Equality), Goal 6 (Clean Water and Sanitation), Goal 8 (Decent Work and Economic Growth), Goal 10 (Reduced Inequalities), Goal 13 (Climate Action) and Goal 15 (Life on Land), Goal 17 (Partnerships for the Goals). Refer page 48 of this report for the Socially Responsive CSR Model.	To ensure we undertake the right projects that contribute towards achieving the aforementioned objectives, we rely on our Strategic Sustainability Framework to look through a 360° lens. This is accomplished through a comprehensive Project Management and Evaluation Process (PMEP) where each project is carefully scrutinised. [Refer pages 49 and 50 for more details on the Project Management and Evaluation Process (PMEP) operational framework.] The PMEP is managed by the Corporate Sustainability Department (CSD). The CSD is further responsible for providing oversight for implementation, completion and continuity of these projects. Stakeholder engagement activities and strategic partnerships also come under the purview of the CSD. Employee volunteerism is a key component of the overall project execution. Investment decisions on CSR programmes are under the purview of the Sustainability Committee led by the Managing Director. All projects undertaken are within the Board-approved annual CSR budget allocation devoted to carrying out the Bank's sustainability agenda. Project-wise resources are determined based on the scope and scale of each project, its impact, specific objectives and time frame. Special emphasis is placed on the allocation of non-monetary resources such as external expertise and value adding partnerships to maximise the overall impact of each initiative. The Bank also continues to encourage team members to embrace the Bank's CSR values by volunteering their time and effort towards the execution of the Bank's CSR activities. Employee volunteerism of this nature is facilitated through the tripartite commitment between the Bank, its employees and the community. It is hoped that this mechanism will create a platform for the Bank to leverage employee skills to contribute positively towards the community, while encouraging team members to forge stronger relationships with communities and act as community ambassadors on behalf of the Bank. To further support these efforts, the Bank's Sustainability Team proceeded to develop a set of clear policy guidelines and related procedures to raise awareness among team members regarding the Bank's CSR philosophy. In addition to our structured community interventions, we are always proactive in our emergency response to any national crisis. In the event of an emergency, we do not hesitate to meet the need of the hour and are always ready to support affected communities. In such cases, rapid response teams are deployed to act quickly to bring relief to where it is needed the most.		As part of the PMEP, a social impact assessment is carried out at the conclusion of each community development project to determine its effectiveness in meeting project objectiveness. The CSD carries out the social impact assessment by engaging with direct beneficiaries and other interest groups within the community to obtain their feedback regarding the concluded project. The insights gained through this process are used as lessons learned to improve future undertakings.

Environmental Protection and Conservation

GRI 302/305

Context	Impact Assessment						
As a bank, our business has a very little direct impact on the environment. However, as our operating environment becomes more dynamic and competitive, the steps we as an organisation take towards the protection and conservation of the natural environment, will provide a clear competitive edge.	Environmental friendly business practices contribute directly towards mitigating the impact of climate change and also facilitate sustainable value creation across economic and social spheres. <table><tr><th>Economic</th><th>Environment</th><th>People</th></tr><tr><td> high</td><td> high</td><td> high</td></tr></table>	Economic	Environment	People	 high	 high	 high
Economic	Environment	People					
 high	 high	 high					

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
We aim to be a responsible environmental steward and strive to minimise the impact that our business may have on the environment. To support our efforts, we have developed a management approved Environmental and Social Management System (ESMS) in line with internationally accepted best practices. The overarching objectives of the ESMS include; understanding and addressing the environmental and social risks across every aspect of our core business and integrating environmental considerations into our day-to-day decision making and risk assessment processes.	Taking into consideration the nature of our business, as a bank, our efforts focus on the following aspects; Resource efficiency - Sampath Bank is determined to responsibly manage the environmental and social risks associated with its operations in order to minimise the negative impacts on the environment and its stakeholders. Energy Management - Energy efficiency through energy efficient lighting solutions and alternative energy sources. Since first launching our solar migration project in 2014, we have since invested in rooftop solar systems for several of our branches. At present, energy requirements of these are met through rooftop solar energy systems installed at these branches. In addition, over the years, we have progressively increased our investment in energy efficient equipment. GHG Management - Measuring direct and indirect emissions (Carbon Footprint calculation) using the GHG (Greenhouse Gas) Protocol to track the Bank's environmental performance and benchmark our progress against our peers in the industry. We believe that it is important to measure the GHG emissions associated with the Bank's operations on an annual basis, in order to be able to continuously improve our carbon management strategy by pursuing new opportunities for carbon reduction. To support this, Sampath Bank has been preparing an annual GHG emissions inventory report. Water Management - Though water is used primarily for the utility and sanitisation requirements of our employees and customers who visit our branches, the Bank considers water management also as an important part of our efforts to reduce Sampath Bank's environmental footprint. Water used for these purposes are supplied from the municipal sources. With no harmful substances contaminating the water used, all waste water is released to the public drainage system. Despite the limited use of water, we continuously monitor water usage and measure consumption on a monthly basis. Wherever possible and practical, we have also invested in appropriate technology to prevent wastage and also conduct regular awareness programmes to encourage employees to conserve water. Waste Management - Practicing responsible waste management principles whenever possible and practical. As a bank, waste generated throughout operations comprises paper waste, e-waste and food waste. We make sure all waste is segregated, and that segregated waste is collected separately and disposed of responsibly. Biodegradable waste is handed over to municipal sources for disposal, while the Bank has tied up with a registered recycling partner to ensure paper and e-waste is recycled responsibly. Process automation and digitalisation also forms an important part of our overall effort to lower paper consumption and thereby reduce the resulting volume of paper waste. Since embarking on this digitalisation journey, we have set an ambitious goal targeting an annual reduction in paper waste.	Percentage of Transactions Performed Digitally is a good indicator to determine the success of our resource management approach, while the annual GHG emissions inventory report also serves as a valuable yardstick to measure the overall effectiveness of resource utilisation practices. In addition, we also conduct an annual cost-benefit analysis to determine the savings derived from the reduction of paper waste owing to the increased use of digital platforms within the Bank and also by our customers. The number of loans disbursed under Green Lending Schemes during the year is another important indicator that demonstrates the success of our Sustainable Financing Strategies. We also measure the impact of our external initiatives over time to evaluate if our environmental CSR projects are achieving their intended objectives.

DETAILED MATERIAL TOPICS

Environmental Protection and Conservation Contd.

Management Strategy and Commitments	Key Actions	Evaluation and Reporting
	2. Responsible lending - Prioritise the financing of renewable and clean energy technology projects. Having long understood the importance of increasing clean energy generation to replace the country's need for non-renewable fossil fuels, we have made Non-Conventional Renewable Energy (NCRE) financing a priority area in our core lending business. By prioritising NCRE financing, Sampath Bank has built up a reputation as a leading financier in the country for renewable energy. In 2015, Sampath Bank became one of the first signatories of the Sri Lanka Banks' Association (SLBA) led Sustainable Banking Initiative. Since then, we have been working purposefully to become Sri Lanka's first fully sustainable "Green Bank" and have adopted a two-pronged approach to achieve this goal; ➤ Promote large scale specialised NCRE projects that can make a sizable contribution to the national electricity grid. ➤ Assist local industries and domestic households to invest in rooftop solar energy generation in order to reduce their dependence on the national electricity grid. We adhere to international best risk management practices when financing these private sector projects and demand high environmental and social risk management standards from our clients. In this regard, our credit policy dictates that loan approvals be granted on condition that the project/activity is in compliance with the environmental and social standards set by the Central Environmental Authority (CEA) of Sri Lanka. 3. Green products and services and paperless operations - In recent years, we have undertaken to move as many of our products and services as possible to digital platforms and have also been working to automate many of our internal work streams/processes. Consequently, the need for paper usage in each internal process has been substantially reduced, in turn contributing to a significant reduction in overall paper usage in our day to day operations, thereby also lowering the energy requirements and emissions. 4. Special projects - Invest in impactful environmental protection, reforestation and biodiversity conservation projects. In this regard, we often seek out partnerships that can substantially add value to our direct environmental protection and conservation projects. (Refer pages 132 to 147 of the Natural Capital report for some of the notable achievements during the year 2022).	

GRI CONTENT INDEX

Statement of use	Sampath Bank PLC has reported in accordance with the GRI Standards for the period [From 01.01.2022 to 31.12.2022].
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
General Disclosures						
GRI 2: General Disclosures 2021	2-1	Organizational details	10-13,160,519	-	-	-
	2-2	Entities included in the organization's sustainability reporting	164-165	-	-	-
	2-3	Reporting period, frequency and contact point	4,7	-	-	-
	2-4	Restatements of information	4, Refer Note 01	-	-	-
	2-5	External assurance	7	-	-	-
	2-6	Activities, value chain and other business relationships	10-13,14,16-17,20-23,35-41, 56-57,90,492-493	-	-	-
	2-7	Employees	113	-	-	-
	2-8	Workers who are not employees	113	-	-	-
	2-9	Governance structure and composition	48-49,175-178,180-185,451	-	-	-
	2-10	Nomination and selection of the highest governance body	174,196-197,453	-	-	-
	2-11	Chair of the highest governance body	31-33,182-185,451	-	-	-
	2-12	Role of the highest governance body in overseeing the management of impacts	48-49,171-174,432,442,447-448, 464	-	-	-
	2-13	Delegation of responsibility for managing impacts	48-49,180-181	-	-	-
	2-14	Role of the highest governance body in sustainability reporting	48-49,448-449,460,464	-	-	-
	2-15	Conflicts of interest	174,201-202,427, 433-434, 443,445,448,460-461	-	-	-
	2-16	Communication of critical concerns	48-50,441,456-457,465, Refer Note 02	-	-	-
	2-17	Collective knowledge of the highest governance body	48-49,178,450,453,464	-	-	-
	2-18	Evaluation of the performance of the highest governance body	48-49,177,453-455,464	-	-	-
	2-19	Remuneration policies	194-195,441,445-446,455-456	-	-	-
	2-20	Process to determine remuneration	194-195,441-442,455	-	-	-
	2-21	Annual total compensation ratio	*	-	-	-
	2-22	Statement on sustainable development strategy	31-33	-	-	-
	2-23	Policy commitments	432,461	-	-	-
	2-24	Embedding policy commitments	180-181,190-202,203,204-217	-	-	-

* Information cannot be disclosed due to confidentiality reasons.

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
General Disclosures						
	2-25	Processes to remediate negative impacts	7,50	-	-	-
	2-26	Mechanisms for seeking advice and raising concerns	173,486-487	-	-	-
	2-27	Compliance with laws and regulations	203	-	-	-
	2-28	Membership associations	63	-	-	-
	2-29	Approach to stakeholder engagement	62-69	-	-	-
	2-30	Collective bargaining agreements	Refer Note 03	-	-	-
Material Topics						
GRI 3: Material Topics 2021	3-1	Process to determine material topics	5,58	-	-	-
	3-2	List of material topics	59-61, Refer Note 04	-	-	-
Economic Performance						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,477 (Profitability and financial stability)	-	-	-
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	430	-	-	-
	201-2	Financial implications and other risks and opportunities due to climate change	Refer Note 05	-	-	-
	201-3	Defined benefit plan obligations and other retirement plans	256,277-279	-	-	-
	201-4	Financial assistance received from government	Refer Note 06	-	-	-
Market Presence						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,478-479 (Physical channels)	-	-	-
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Refer Note 07	-	-	-
	202-2	Proportion of senior management hired from the local community	Refer Note 08	-	-	-
Indirect Economic Impacts						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,477 (Profitability and financial stability)	-	-	-
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	120-129	-	-	-
	203-2	Significant indirect economic impacts	120-129	-	-	-

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Anti-corruption						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,486-487 (Anti-corruption practices)	-	-	-
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	488-489, Refer Note 09	-	-	-
	205-2	Communication and training about anti-corruption policies and procedures	Refer Note 10	-	-	-
	205-3	Confirmed incidents of corruption and actions taken	Refer Note 11	-	-	-
Tax						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,477 (Profitability and financial stability)	-	-	-
GRI 207: Tax 2019	207-1	Approach to tax		-	-	-
	207-2	Tax governance, control and risk management		-	-	-
	207-3	Stakeholder engagement and management of concerns related to tax		-	-	-
	207-4	Country-by-country reporting	244-253	-	-	-
Energy						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,495-496 (Environment protection and conservation)	-	-	-
GRI 302: Energy 2016	302-1	Energy consumption within the organization	136	-	-	-
	302-2	Energy consumption outside of the organization	136	-	-	-
	302-3	Energy intensity	133	-	-	-
	302-4	Reduction of energy consumption	136	-	-	-
	302-5	Reductions in energy requirements of products and services	Refer Note 12	-	-	-
Emissions						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,495-496 (Environment protection and conservation)	-	-	-
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	138	-	-	-
	305-2	Energy indirect (Scope 2) GHG emissions	138	-	-	-
	305-3	Other indirect (Scope 3) GHG emissions	138	-	-	-
	305-4	GHG emissions intensity	138	-	-	-
	305-5	Reduction of GHG emissions	138	-	-	-
	305-6	Emissions of ozone-depleting substances (ODS)	Refer Note 13	-	-	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	138	-	-	-

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Employment						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,482-483 (Talent acquisition and management)	-	-	-
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	105,106	-	-	-
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	104	-	-	-
	401-3	Parental leave	112	-	-	-
Labour/Management Relations				-	-	-
GRI 3: Material Topics 2021	3-3	Management of material topics	58,484-485 (Employee relations)	-	-	-
GRI 402: Labour/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Refer Note 14	-	-	-
Occupational Health and Safety						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,486 (Employee health and safety)	-	-	-
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system		-	-	-
	403-2	Hazard identification, risk assessment and incident investigation		-	-	-
	403-3	Occupational health services		-	-	-
	403-4	Worker participation, consultation and communication on occupational health and safety		-	-	-
	403-5	Worker training on occupational health and safety	-	-	-	
	403-6	Promotion of worker health	-	-	-	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	-	-	
	403-8	Workers covered by an occupational health and safety management system	-	-	-	
	403-9	Work-related injuries	Refer Note 15	-	-	-
	403-10	Work-related ill health		-	-	-
Training and Education						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,483-484 (Learning and development)	-	-	-
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	107	-	-	-
	404-2	Programs for upgrading employee skills and transition assistance programs	109	-	-	-
	404-3	Percentage of employees receiving regular performance and career development reviews	109	-	-	-

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Diversity and Equal Opportunity						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,482-483 (Talent acquisition and management)	-	-	-
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	112	-	-	-
	405-2	Ratio of basic salary and remuneration of women to men	105	-	-	-
Local Communities						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,494 (Community development)	-	-	-
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments and development programs	52-55,120-129,142-147	-	-	-
	413-2	Operations with significant actual and potential negative impacts on local communities	Refer Note 16	-	-	-
Customer Health and Safety						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,488-489 (Customer health and safety)	-	-	-
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Refer Note 17	-	-	-
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Refer Note 18	-	-	-
Marketing and Labeling						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,489 (Sales promotions, marketing communication and information availability on Bank's products and services)	-	-	-
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	489, Refer Note 19	-	-	-
	417-2	Incidents of non-compliance concerning product and service information and labeling	Refer Note 20	-	-	-
	417-3	Incidents of non-compliance concerning marketing communications	Refer Note 21	-	-	-
Customer Privacy						
GRI 3: Material Topics 2021	3-3	Management of material topics	58,481,489-490,490-491 (Information security, Customer privacy, Complaint management)	-	-	-
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Refer Note 22	-	-	-

GRI CONTENT INDEX

GRI NOTES

Note Number	Remarks
01	There are no restatements with regard to sustainability reporting criteria.
02	During the year 2022, four (04) concerns were reported through Whistle Blowing. The reported cases were addressed in accordance with the Whistle Blowing Policy and Audit Investigations were initiated. Findings and recommendations were reported to the Board Audit Committee and to the Board of Directors as appropriate. Reports were sent to the disciplinary committee to take appropriate actions. The recommendations relating to process improvement and rectification of internal control gaps/deviations were shared with the management.
03	There is no collective bargaining agreement between the Bank & SBEA. However, the relationship between two parties remains cordial.
04	Out of the 22 Material Topics for 2022, 21 remained unchanged from the previous year. The only new topic that became relevant in 2022 was "Macroeconomic Headwinds".
05	Being in the business of Banking, climate change does not have a significant impact on our business. Accordingly during the reporting period, no records were maintained to catalogue the effect of climate change on the business.
06	As we are a private sector organisation, there is no direct or indirect financial assistance (grants) received from the government.
07	Entry Level Wage refers to remuneration paid to new entrants joining the Bank as a Trainee Staff Assistant/Junior Executive I. The Bank does not distinguish based on gender and both males and females in these positions are entitled to a same entry level wage. There is no entry level wage rate imposed on banking sector. However, Sampath Bank's entry level wage is higher than the national minimum wage rate.
08	At Sampath Bank, Senior Management refers to a designated authority in charge of a key business unit/function. All senior managers of the Bank are locally hired.
09	No fines were imposed by the regulators on the Bank pertaining to incidents of corruption in 2022.
10	38% of employees and 11% of Senior Management have received training on anti-corruption.
11	No fines were imposed by the regulators on the Bank pertaining to incidents of corruption in 2022.
12	Energy reduction cannot be accurately calculated or measured in relation to specific products or services of the Bank. However, the Bank's solar migration project has seen rooftop solar installations at thirteen branches which has resulted in an overall reduction in the volume of grid electricity consumed by the respective branch in providing banking services to customers.
13	Emissions of Ozone Depleting Substances (ODS) are insignificant, considering the nature of our business.
14	No collective agreement is in force, operational changes are informed in advance depending on the requirement.
15	Due to the nature of business there have been no work related injuries and work related illnesses.
16	No incidents were reported during the reporting period.
17	As a service organisation, health and safety impacts of our products and service categories cannot be assessed.
18	None.
19	Products and service information published on the Bank's corporate website (www.sampath.lk) and in marketing communication materials (in all three languages (S/T/E)).
20	ZERO incidents were reported during the reporting period.
21	ZERO incidents were reported during the reporting period.
22	A total of 28 complaints were received in 2022, of these 24 were successfully resolved during the course of the year, while the other 04 remain under audit investigation and HR proceedings as at 31st December 2022.

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SAMPATH BANK PLC IN THE INTEGRATED ANNUAL REPORT 2022



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Independent Assurance Report to the
Board of Directors of Sampath Bank PLC
in the Integrated Annual Report- 2022

Scope

We have been engaged by the management of Sampath Bank PLC ("the Bank") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the following elements of its Integrated Annual Report for the year ended 31 December 2022 (the "Integrated Report").

- Reasonable assurance engagement on the information on financial capital management as specified on pages 79 - 84 of the Integrated Report.
- Limited assurance engagement on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment and outlook presented in the Integrated Report.

Criteria applied by Sampath Bank PLC

The Integrated Report is prepared based on the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) (the "criteria") publicly available at IIRC's website at "www.integratedreporting.org"

Sampath Bank PLC's responsibilities

Sampath Bank PLC's management is responsible for selecting the criteria, and for presenting the Integrated Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Integrated Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Integrated Report in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with Sampath Bank PLC in the engagement letter dated 13th December 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Integrated Report in

order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide reasonable and limited assurance engagement in accordance with SLSAE 3000.

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SAMPATH BANK PLC IN THE INTEGRATED ANNUAL REPORT 2022



Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Integrated Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Integrated Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement

was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- Perform a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).
- Perusing the Integrated Annual Report – Financial Capital element information to understand whether the information contained are properly derived from the audited financial statements.
- Interviewing the selected key management personnel and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtaining an understanding of the relevant internal policies and procedures developed by the Bank, including those relevant to determining what matters most to the stakeholders, how the Bank creates value, the external

environment, strategy, approaches to putting members first, governance and reporting.

- Obtaining an understanding of the description of the Bank's strategy and how the Bank creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Perusing the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Perusing the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Perusing the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.



We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Report.

Restricted use

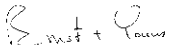
This report is intended solely for the information and use of Sampath Bank PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial capital management as specified on pages 79 - 84 of the Integrated Report are properly derived from the audited financial statements of the Bank for the year ended 31 December 2022.

- Nothing has come to our attention that causes us to believe that other information presented in the Integrated Report are not fairly presented, in all material respects, in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).


17 February 2023
Colombo

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SAMPATH BANK PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT 2022



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Independent Assurance Report to the Board of Directors of Sampath Bank PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report - 2022

Scope

We have been engaged by the management of Sampath Bank PLC ("the Bank") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the sustainability reporting criteria presented in the Integrated Annual Report for the year ended 31 December 2022 (the "Report").

- Reasonable assurance on the information on financial performance as specified on page 430 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards.

Criteria applied by Sampath Bank PLC

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

This Report has been prepared in accordance with the GRI Standards.

Sampath Bank PLC's responsibilities

Sampath Bank PLC's management is responsible for selecting the criteria, and for presenting the Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with Sampath Bank PLC in the engagement letter dated 13th December 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and

extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide an independent assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance Indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing

procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Review and validation of the information contained in the Report.
- Check the calculations performed by the organization on a sample basis through recalculation.
- Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- Independently review the content of the Report and request changes if required.
- Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

Emphasis of matter

Social, natural, and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating, and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

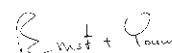
Restricted use

This report is intended solely for the information and use of Sampath Bank PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial performance as specified on page 430 of the Report is properly derived from the audited financial statements of the Bank for the year ended 31 December 2022.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Bank's sustainability practices and policies some of which are derived from the GRI Standards.



17 February 2023
Colombo

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A member firm of Ernst & Young Global Limited

GLOSSARY OF FINANCIAL AND BANKING TERMS

A

Acceptances

The signature on a Bill of Exchange indicates that the person on whom it is drawn accepts the conditions of the Bill. In other words a Bill of Exchange that has been accepted.

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 Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Additional Tier I (AT I) Capital

It is a supplementary form of Tier I capital. AT I includes capital instruments other than the instruments included in CET I capital.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and Liability Management Committee (ALCO)

A risk-management committee in a bank that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the bank's forecast and strategic balance sheet allocations.

Associate Company

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

B

Basel II

The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in the form of the 'International Convergence of Capital Measurement and Capital Standards'.

Basel III

The BCBS issued the Basel III rules, 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.

Branch Bench Strength (BBS)

The competence and number of employees ready to fill vacant leadership and other positions.

C

Capital Adequacy Ratio

The percentage of risk-weighted 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.

Capital Conservation Buffer (CCB)

It is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Collectively Assessed Loan Impairment Provisions

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not

considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the consumer banking business (housing, personal, vehicle loans, credit cards etc) are assessed on a portfolio basis.

Commercial Paper (CP)

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Common Equity Tier I (CET I) Capital

Consists of stated capital, other capital and revenue reserves. CET I is the element of capital which has the highest quality and the most effective in absorbing losses.

Commitments

Credit facilities approved but not yet utilised by the clients as at the reporting date.

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.

Contingencies

A condition or situation, the ultimate outcome of which (gain or loss) will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Control

An investor controls an investee when the investor is exposed, 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.

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 Method

A method of accounting whereby the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that

the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition.

Cost to Income Ratio

Operating expenses excluding impairment charge for loans and other losses as a percentage of total operating income.

Country Risk

The risk that a foreign government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk).

Credit Rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counter party 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 debt securities.

Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

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.

Currency SWAPs

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Tax

Sum set aside in the financial statements for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Derecognition is the 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.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross dividend. 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 (LCs)

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.

Domestic Systemically Important Banks (D-SIBs)

D-SIBs are defined by CBSL annually, according to the Banking Act direction No. 10 of 2019.

E

Earnings per Share (EPS)

The profit attributable to each ordinary share in the Bank, based on the profit for the period after tax and after deducting minority interest and preference share Dividend.

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 of its liabilities.

Equity Method

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

ESOP (Employee Share Ownership Plan)

A method of giving employees shares in the business for which they work.

Events after the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Expected Credit Losses (ECLs)

ECLs are probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes.

Exposure at Default (EAD)

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

Fair Value

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.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial Guarantee Contract

A financial guarantee contract is a contract that requires the issuer 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 original or modified terms of a debt instrument.

GLOSSARY OF FINANCIAL AND BANKING TERMS

Financial Instrument

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Firm Commitment

A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

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.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Global Reporting Initiative (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Group

A group is a parent and its subsidiaries.

Guarantees

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc)

High Loss Absorbency (HLA) Requirement

The additional capital buffer requirement for D-SIBs.

High Quality Liquid Assets (HQLA)

HQLA are assets that can be easily and immediately converted into cash at little or no loss of value, that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e., without legal, regulatory or operational impediments.

I

Impaired Loans

Impaired loans are 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 Provisions

Impairment provisions are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

Individually Significant Loan Impairment Provision (Specific Impairment Provision)

Impairment is measured individually for assets that are individually significant to the Group.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate SWAP

An agreement between two parties where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

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 in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

K

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

L

Leverage Ratio

The Leverage Ratio is a transparent, simple, non-risk-based ratio and is calculated by dividing Total Tier I capital from the Bank's total exposures of all assets and off balance sheet items.

Lifetime Expected Credit Losses

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Liquidity Coverage Ratio (LCR)

Banks are required to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet their liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. LCR is computed by dividing the stock of HQLA by the total net cash outflows over the next 30 calendar days.

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 Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor defaults. It is based on the difference between the contractual cash flows due and those that the lender would receive including any collateral.

M

Market Capitalisation

The value of a company obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

N**Net Asset Value Per Share**

Shareholders' funds divided by the number of ordinary shares in issue.

Net-Interest Income (NII)

The difference between what 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 Stable Funding Ratio (NSFR)

NSFR is defined as the amount of Available Stable Funding (ASF) relative to the amount of Required Stable Funding (RSF).

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.

Non-Controlling Interest

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

O**Operational Risk**

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P**Parent**

A parent is an entity that controls one or more entities.

Power

The Power is the existing rights that give the current ability to direct the relevant activities.

Price Earnings Ratio (P/E Ratio)

The current market price of the share is divided by the earnings per share of the Bank.

Probability of Default (PD)

PD is an estimate of likelihood of default over a given time horizon.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method).

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R**Repurchase Agreement**

This is a contract to sell and subsequently repurchase government securities at a given price on a specified future date.

Return on Average Assets (ROA)

Profit after tax 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 Average Equity (ROE)

Profit after tax less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserves

Reserves set aside for future distribution and investment.

Reverse Repurchase Agreement

Transaction involving the purchase of government securities by a bank or dealer and resale back to the seller at a given price on a specific future date.

Rights Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Right-of-use Asset (ROU)

ROU asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

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 commitment & contingencies is also recognised, first by adjusting notional values to Statement of Financial Position (or credit) equivalents and then by applying appropriate risk weighting factors.

S**Segmental Analysis**

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Single Borrower Limit

30% of capital base.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subsidiary

A Subsidiary is an entity that is controlled by another entity.

Substance over Form

The consideration that the accounting treatment and the presentation in financial statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T**Total Tier I Capital**

Total Tier I Capital consists of Common Equity Tier I Capital (CET I) and Additional Tier I Capital (AT I).

Total Capital (Capital Base)

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

Twelve Month Expected Credit Losses

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

U**Unit Trust**

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V**Value Added**

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Vostro Account

A local currency account maintained by a local bank for a foreign (correspondent) bank. For the foreign bank, it is a Nostro account. The domestic bank acts as custodian or manages the account of a foreign counterpart.

Y**Yield to Maturity**

Discount rate at which the present value of future payments would equal the security's current price.

ACRONYMS AND ABBREVIATIONS

&	And
12mECL	12 Months Expected Credit Loss
24/7-365	At any time, all year round
2H	Second Half
ABC	Anti-Bribery and Corruption
ACBE	Annual Conference on Business Economics
ADB	Asian Development Bank
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Asset and Liability Management Committee
AML	Anti-Money Laundering
AOT	Art of Transformation
APEC	Asia-Pacific Economic Cooperation
API	Application Programming Interface
ASA	Alternative Standardised Approach
ASPI	All Share Price Index
AT	After Tax
AT 1	Additional Tier I
ATL	Above the Line
ATM	Automated Teller Machine
AUD	Australian Dollar
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BBS	Branch Bench Strength
BCBS	Basel Committee on Banking Supervision
BCP	Business Continuity Plan/Planning (as appropriate)
BCPC	Board Capital Planning Committee
BHRRC	Board Human Resources and Remuneration Committee
BIA	Bandaranaike International Airport/Business Impact Analysis/Basic Indicator Approach (as appropriate)
BIRMC	Board Integrated Risk Management Committee
BIS	Bank for International Settlement
BITC	Board Information Technology Committee
Bn	Billion
BNC	Board Nomination Committee
BNO	Bank Notes Operation
BOCU	Branch Operations Centralisation Unit
BPO	Business Promotion Officer
bps	Basis Points
BRPTRC	Board Related Party Transactions Review Committee
BSS	Baseline Security Standards
BT	Before Tax
BTC	Board Treasury Committee
BTL	Below the Line
CA Sri Lanka/ICASL	Institute of Chartered Accountants of Sri Lanka
CAAT	Computer Aided Audit Techniques/Tools

CAD	Canadian Dollar
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CCC	Customer Care Centre
CCD	Central Cash Department
CCDU	Central Credit Documentation Unit
CCER	Customer Complaint Event Reporting
CCPI	Colombo Consumer Price Index
CCPU	Central Credit Processing Unit
CCTV	Closed-Circuit Television
CDM	Cash Deposit Machine
CEA	Central Environmental Authority
CEC	Ceylon Entrepreneurs' Club
CEFTS	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
CET I	Common Equity Tier I
CFM	Close Family Members
CFO	Chief Financial Officer
CFT	Combating the Financing of Terrorism
CHF	Swiss Franc
CHS	Complaint Handling System
CIO	Chief Information Officer
CIRR	Customer's Internal Risk Rating
CISO	Chief Information Security Officer
CMS	Cash Management Solutions
CNU	Credit Nursing Unit
CO ₂ e	Carbon Dioxide Equivalent, is a standard unit for measuring carbon footprints
CPO	Chief Procurement Officer
CRM	Cash Recycler Machine
CSD	Corporate Sustainability Department
CSE	Colombo Stock Exchange
CSP	Customer Security Programme
CSR	Corporate Social Responsibility
DBU	Domestic Banking Unit
DC	Documentary Credit
DLP	Data Leakage Prevention
DMS	Delinquent Management System
DPD	Days Past Due
DR	Disaster Recovery
DRP	Disaster Recovery Procedure
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
ECL	Expected Credit Loss
ED	Executive Director
EDB	Export Development Board
EDR	Endpoint Detection and Response

EFF	Extended Fund Facility
EIR	Effective Interest Rate
EMDE	Emerging Market and Developing Economies
EPF	Employees' Provident Fund
EPS	Earnings per Share
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
ESOP	Employee Share Ownership/Option Plan
ESOS	Employee Share Option Scheme
ESPS	Employee Share Purchase Scheme
ETF	Employees' Trust Fund
EU	European Union
EUR	Euro
EVP	Employee Value Proposition
EWS	Early Warning Signal
FCBU	Foreign Currency Banking Unit
FCY	Foreign Currency
FD	Fixed Deposit
FinCSIRT	Financial Sector Computer Security Incident Response Team
FINDAS	Finance Document Approval System
FIU	Financial Intelligence Unit of Sri Lanka
FMCG	Fast-Moving Consumer Goods
FSVAT	Value Added Tax on Financial Services
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value through Profit or Loss
FX/FOREX	Foreign Exchange
FY	Financial Year
GBP	British Pound Sterling
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HKD	Hong Kong Dollar
HLA	Higher Loss Absorbency
HQLA	High Quality Liquid Assets
HR	Human Resources
HRIS	Human Resource Information System
HVAC	Heating, Ventilation and Air Conditioning
i.e.	That is
ICAAP	Internal Capital Adequacy Assessment Process
ICOFR	Internal Control Over Financial Reporting
ICT	Information and Communication Technologies
IDB	Industrial Development Board
IDP	Individual Development Plan
IFC	International Finance Corporation
IIRC	International Integrated Reporting Council
ILED	Internal Loss Event Data Reporting
ILO	International Labour Organisation
IMF	International Monetary Fund
IMF-EFF	International Monetary Fund-Extended Fund Facility

IND	Independent Director
IPG	Internet Payment Gateway
IR	Integrated Reporting
IRR	Interest Rate Risk
ISC	Information Security Committee
ISL	Individually Significant Loan
ISMS	Information Security Management System
ISO	International Organisation for Standardisation
IT	Information Technology
JFPR	Japan Fund for Poverty Reduction
JPY	Japanese Yen
KDU	Kotelawala Defense University
Kg	Kilograms
Km	Kilometers
KMP	Key Management Personnel
KPI	Key Performance Indicators
KRI	Key Risk Indicators
kWh	Kilowatt-hour
KYC	Know-Your-Customer
L&D	Learning and Development
LC	Letter of Credit
LCR	Liquidity Coverage Ratio
LDU	Loan Disbursement Unit
LED	Light-Emitting Diode
LGD	Loss Given Default
LKR	Sri Lankan Rupee
LMS	Learning Management System
LP Gas	Liquefied Petroleum Gas
LRS	Loan Review Summary
LTECL	Life Time Expected Credit Loss
MD	Managing Director
MIS	Management Information System
Mn	Million
MOU	Memorandum of Understanding
MRMU	Market Risk Management Unit
MSME	Micro, Small and Medium Scale Entrepreneurs
MTM	Mark to Market
MW	Megawatt
NBFI	Non-Banking Financial Institutions
NBQSA	National Best Quality Software Awards
NBRO	National Building Research Organisation
NBV	Net Book Value
NCE	National Chamber of Exporters
NCPI	National Consumer Price Index
NCRCS	New Comprehensive Rural Credit Scheme
NCRE	Non-Conventional Renewable Energy
NED	Non-Executive Director
NFCI	Net Fee and Commission Income
NID	Non-Independent Director
NII	Net Interest Income
NIM	Net Interest Margin

ACRONYMS AND ABBREVIATIONS

NOP	Net Open Position
NPA	Non-Performing Advances
NSBM	National School of Business Management
NSC	Network Services Centre
NSFR	Net Stable Funding Ratio
OBU	Offshore Banking Unit
OCI	Other Comprehensive Income
OD	Overdraft
OTP	One-Time-Password
p.a.	Per Annum
p.m.	Per Month
P2P	Procure-to-Pay
PAM	Privileged Access Management
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
PEP	Project Evaluation Process
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
PII	Personal Identification Information
PIN	Personal Identification Number
PLC	Public Limited Company
PLM	Product Lifecycle Management
PMEP	Project Management and Evaluation Process
PPE	Property, Plant and Equipment
PUC	Projected Unit Credit
PVBP	Present Value Basis Points
Q1/Q2/Q3/Q4	Quarter 1/Quarter 2/Quarter 3/Quarter 4
QDK	Cheque Deposit Machine
QR Code	Quick Response Code
R&D	Research and Development
RBA	Risk Based Approach
RBP	Risk Based Pricing
RCP	Recovery Policy/Plan/Planning (as appropriate)
RCSA	Risk and Control Self-Assessment
RHS	Right Hand Side
RMU	Risk Management Unit
ROA	Return on Assets
ROE	Return on Equity
RPA	Robotic Process Automation
RPT	Related Party Transactions
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RTO	Recovery Time Objectives
RWA	Risk Weighted Assets
RWN	Rating Watch Negative
SBEA	Sampath Bank Employees' Association
SDAS	Sampath Document Approval System
SDG	Sustainable Development Goals
SENS	Sampath Employee Notification System
SGD	Singapore Dollar

SID	Senior Independent Director
SIEM	Security Information and Event Management
SITS	Sampath Information Technology Solutions Limited
SLA	Service Level Agreement/Sampath Learning Academy (as appropriate)
SLAR	Statutory Liquid Assets Ratio
SLBA	Sri Lanka Banks' Association
SLDB	Sri Lanka Development Bond
SLFRS/LKAS	Sri Lanka Accounting Standards
SLIM	Sri Lanka Institute of Marketing
SLISB	Sri Lanka International Sovereign Bond
SLSAE	Sri Lanka Standard on Assurance Engagements
SME	Small and Medium-sized Enterprises
SMILE	Small and Micro Industries Leader and Entrepreneur Promotion Project
SMS	Short Message/Messaging Service
SoAT	Statement of Alternative Treatment
SOC	Security Operation Centre
SPPI	Solely Payments of Principal and Interest
sq. ft.	Square Feet
Sri Lanka NCPC	National Cleaner Production Centre of Sri Lanka
SRM	Security Register Maintenance
SRR	Statutory Reserve Ratio
STARS	Special Thanks and Recognition Scheme
SWIFT	Society for Worldwide Interbank Financial Telecommunications
SWOT	Strengths, Weaknesses, Opportunities and Threats
TAP	Trade Assistance Programme
T-Bill	Treasury Bill
T-Bond	Treasury Bond
tCO2e	Tones of Carbon Dioxide Equivalent
Tn	Trillion
TOR	Terms of Reference
TT	Telegraphic Transfer
TTDAS	Telegraphic Transfer Document Approval System
UK	United Kingdom
UN	United Nations
UOP	University of Peradeniya
UPI	UnionPay International
UPS	Uninterruptible Power Supply
US	United States
USD/US\$	United States Dollar
USJ	University of Sri Jayewardenepura
VaR	Value at Risk
VAT	Value Added Tax
Vis-à-vis	In relation to, counterpart
w.e.f.	With Effect From
WIM	Women in Management
YoY	Year-on-Year

NOTICE OF ANNUAL GENERAL MEETING

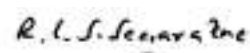
Notice is hereby given that the 37th Annual General Meeting of Sampath Bank PLC (the Company) will be held at "Balmoral", The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01, on 30th March 2023 at 9.30 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company.
2. To receive and consider the Statement of Audited Accounts for the year ended 31st December 2022 with the Report of the Auditors thereon.
3. It is hereby resolved that the Company declares a total dividend of Rs 4.60 per share for the financial year 2022, subject to a dividend tax of 15%, as recommended by the Board of Directors. Such dividend shall be payable as follows:
 - (a) cash dividend of Rs 3.45 per share; and
 - (b) scrip dividend of Rs 1.15 per share.

Rs 3.45 be distributed in the form of cash amounting to a total payment of a sum of Rs 3,948,090,144.75 and subject to a dividend tax of 15%.

Rs 1.15 be distributed in the form of scrip amounting to a total sum of Rs 1,316,030,048.25 and subject to a dividend tax of 15%. The shares issued in the scrip dividend shall be valued at Rs 39.49 per share which result in One (01) share being issued for each existing 40.3989773996 shares held by the shareholders at the end of trading on the Colombo Stock Exchange on the date of the AGM. Consequently, the total number of shares to be issued under the scrip dividend shall be 28,326,805 ordinary shares.
4. It is further resolved that the Board of Directors be authorized to dispose of the shares arising from the aggregation of the residual fractions consequent to the scrip dividend in the market and to distribute the proceeds therefrom for CSR initiatives of the Bank as may be deemed fit by the Board of Directors.
5. To elect Mr Hiran Cabraal who was appointed to the Board to fill up a casual vacancy in the Board in terms of Article No. 93 of the Articles of Association of the Company.
6. To re-elect Mr Harsha Amarasekera who retires by rotation at the Annual General Meeting as a Director in terms of Article No. 87 of the Articles of Association of the Company.
7. To re-elect Mrs Keshini Jayawardena who retires by rotation at the Annual General Meeting as a Director in terms of Article No. 87 of the Articles of Association of the Company.
8. To re-elect Mr Vinod Hirdaramani who retires by rotation at the Annual General Meeting as a Director in terms of Article No. 87 of the Articles of Association of the Company.
9. To grant approval to the Board of Directors to make any donations, contributions or subscriptions as it may consider appropriate during the financial year 2023.
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

By order of the Board,



LASANTHA SENARATNE
Company Secretary

17th February 2023
Colombo, Sri Lanka

Note:

A member is entitled to appoint a Proxy to participate and vote on his/her/its behalf and a Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The completed Form of Proxy should be deposited at the Registered Office (Secretariat Department) of the Company at No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka, or scanned and emailed to "company_secretary@sampath.lk" not less than 48 hours before, the appointed time for holding the Annual General Meeting and no registration of Proxies will be accommodated at the venue on the date of the Annual General Meeting.

NOTES

[illegible]

STAKEHOLDER FEEDBACK FORM

Sampath Bank greatly values your feedback about this Annual Report as it will help us to further improve the quality of our future publications. As such, we encourage you to complete and return this feedback form to;

COMPANY SECRETARY

Sampath Bank PLC

No. 110, Sir James Peiris Mawatha,

Colombo 02, Sri Lanka

E-mail: company_secretary@sampath.lk

Tel : +94 11 4730652/420/548

Fax : +94 11 2300924

WHICH STAKEHOLDER GROUP/S DO YOU BELONG TO? (YOU MAY TICK MORE THAN ONE)

Shareholder	☐	Investor	☐	Customer	☐
Employee	☐	Supplier	☐	Service Provider	☐
Community	☐	Public Authority	☐	Regulatory Body	☐
Student	☐	Journalist	☐	Analyst	☐
Special Interest Group	☐	NGO	☐	Other	☐

RATE YOUR OVERALL IMPRESSION OF THIS REPORT IN TERMS OF:

Indicator	Excellent	Good	Fair	Poor
Content and Scope				
Informative				
Transparent				
Trustworthy				
Comprehensive				
User Friendly				
Design and Layout				

STAKEHOLDER FEEDBACK FORM

COMMENTS/QUERIES/SUGGESTIONS

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	Yes	No
Would you like to receive Details/News of our Products/Services via e-mail mentioned below	☐	☐

YOUR DETAILS

Name	:	
Address	:	
		
		
Telephone (Residence)	:	
Telephone (Office)	:	
Mobile	:	
Fax	:	
E-mail	:	

CORPORATE INFORMATION

GENERAL

NAME OF COMPANY

Sampath Bank PLC

LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka on 10th March 1986 under the Companies Act No. 17 of 1982 and listed on the Colombo Stock Exchange, re-registered on 28th April 2008 under the Companies Act No. 07 of 2007. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

COMPANY REGISTRATION

NUMBER

PQ 144

ACCOUNTING YEAR END

31st December 2022

VAT REGISTRATION NUMBER

134001194-7000

HEAD OFFICE AND REGISTERED OFFICE

No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka

TELEPHONE

+94 11 2300260
+94 11 2358358
+94 11 4730630
+94 11 5331441
+94 11 5600600

FAX

+94 11 2303085

SWIFT CODE

BSAMLKLX

E-MAIL

mgr@oper.sampath.lk
info@sampath.lk

CREDIT RATING

Fitch Ratings Lanka Limited has assigned National Long Term Rating of 'A(lka)/RWN' [31st December 2022: AA-(lka)/RWN] to Sampath Bank PLC.

AUDITORS

Messrs Ernst & Young Chartered Accountants

LAWYERS

Messrs Nithya Partners Attorneys-at-Law

Messrs Heritage Partners Attorneys-at-Law

COMPANY SECRETARY

Mr Lasantha Senaratne Attorney-at-Law

ASSISTANT COMPANY SECRETARY

Mr Muditha Walpola Attorney-at-Law

FOR INVESTOR RELATIONS, PLEASE CONTACT

Chief Manager - Investor Relations, Sampath Bank PLC
No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka
aloka@credit.sampath.lk
+94 11 5406100
+94 77 8179276

FOR CLARIFICATIONS ON THE REPORT, PLEASE CONTACT

Company Secretary
Sampath Bank PLC
No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka
company_secretary@sampath.lk
+94 11 4730652
+94 11 4730420
+94 11 4730548

BOARD OF DIRECTORS

Mr Harsha Amarasekera
Chairman/Non-Independent,
Non-Executive Director

Mr Rushanka Silva
Deputy Chairman/Non-Independent, Non-Executive Director

Mr Dilip de S Wijeyeratne
Senior Independent Director, Non-Executive Director

Ms Aroshi Nanayakkara
Independent, Non-Executive Director

Dr Sanjiva Weerawarana
Independent, Non-Executive Director

Mr Vajira Kulatilaka
Independent, Non-Executive Director

Mrs Keshini Jayawardena
Independent, Non-Executive Director

Mr Vinod Hirdaramani
Independent, Non-Executive Director

Mr Hiran Cabraal
Independent, Non-Executive Director

Mr Nanda Fernando
Managing Director

Mr Ajantha de Vas Gunasekara
Executive Director/
Chief Financial Officer

SUBSIDIARIES

Name of the Company	Holding %	Nature of Business
Sampath Centre Ltd	100	Renting of Commercial Property
SC Securities (Pvt) Ltd	100	Stock Broking
Siyapatha Finance PLC	100	Financial Services
Sampath Information Technology Solutions Ltd	100	IT Services

STOCK EXCHANGE LISTINGS

1,144,373,955 Ordinary Shares

75,000,000 Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion of Rs 100/- each - 2018/2023

70,000,000 Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion of Rs 100/- each - 2019/2024

60,000,000 Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion of Rs 100/- each - 2021/2028

100,000,000 Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion of Rs 100/- each - 2023/2028

 www.sampath.lk

 <https://www.facebook.com/Sampathbankplc>

 <https://www.instagram.com/sampathbankplc/>

 <https://twitter.com/SampathBankPLC>

 https://www.youtube.com/channel/UCxNY_milDsSKGKrL5sFU9vg



FORM OF PROXY

THIRTY SEVENTH ANNUAL GENERAL MEETING

Sampath Bank PLC
No. 110, Sir James Peiris Mawatha,
Colombo 02, Sri Lanka.

I/We, ...
bearing NIC No./Passport No./Company Reg. No. of
being a member/members of Sampath Bank PLC (the Company) hereby appoint Mr/Mrs/Miss/Ven/Rev.
bearing NIC No./Passport No. of whom failing:

1	Mr Harsha Amarasekera	failing him	7	Mrs Keshini Jayawardena	failing her
2	Mr Rushanka Silva	failing him	8	Mr Vinod Hirdaramani	failing him
3	Mr Dilip de S Wijeyeratne	failing him	9	Mr Hiran Cabraal	failing him
4	Ms Aroshi Nanayakkara	failing her	10	Mr Nanda Fernando	failing him
5	Dr Sanjiva Weerawarana	failing him	11	Mr Ajantha de Vas Gunasekara	failing him
6	Mr Vajira Kulatilaka	failing him			

as my/our proxy to participate and vote for me/us on my/our behalf at the Thirty Seventh Annual General Meeting of the Company to be held at "Balmoral", The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 on 30th March 2023 at 9.30 a.m. and at any adjournment thereof.

Please mark your preference with "X"

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company.	☐	☐
2. To receive and consider the Statement of Audited Accounts for the year ended 31st December 2022 with the Report of the Auditors thereon.	☐	☐
3. To approve the recommended Cash dividend of Rs 3.45 per share and the Scrip dividend of Rs 1.15 per share for the financial year 2022 as set out in the Notice convening the Annual General Meeting.	☐	☐
4. To authorize the Board of Directors to dispose of the shares arising from the aggregation of the residual fractions consequent to the scrip dividend in the market and to distribute the proceeds therefrom for CSR initiatives of the Bank as may be deemed fit by the Board of Directors as set out in the Notice convening the Annual General Meeting.	☐	☐
5. To elect Mr Hiran Cabraal who was appointed to the Board to fill up a casual vacancy in the Board in terms of Article No. 93 of the Articles of Association of the Company.	☐	☐
6. To re-elect Mr Harsha Amarasekera who retires by rotation at the Annual General Meeting as a Director in terms of Article No. 87 of the Articles of Association of the Company.	☐	☐
7. To re-elect Mrs Keshini Jayawardena who retires by rotation at the Annual General Meeting as a Director in terms of Article No. 87 of the Articles of Association of the Company.	☐	☐
8. To re-elect Mr Vinod Hirdaramani who retires by rotation at the Annual General Meeting as a Director in terms of Article No. 87 of the Articles of Association of the Company.	☐	☐
9. To grant approval to the Board of Directors to make any donations, contributions or subscriptions as it may consider appropriate during the financial year 2023.	☐	☐
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	☐	☐

Signed on this day of 2023

Signature/s

NIC/Passport/Company Reg. No. of Shareholder/s

Note: 1. Proxy need not be a member of the Company
2. Instructions as to completion of the Form of Proxy are given in the next page

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy, after filling in legibly your full name and address and by signing in the space provided.
2. The completed Form of Proxy should be deposited at the Registered Office (Secretariat Department) of the Company at No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka, or scanned and emailed to "company_secretary@sampath.lk" not less than 48 hours before, the appointed time for holding the Annual General Meeting and no registration of Proxies will be accommodated at the venue on the date of the Annual General Meeting.
3. If you wish to appoint a person other than Chairman, Deputy Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided before the names of the Board of Directors on the Form of Proxy.
4. Article No. 73 of the Articles of Association of the Company provides that: "Any corporation which is a member of the Company may by resolution of its directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company".
5. Please mark your preference with an "X" in the space provided as to how your proxy may vote on each resolution. If no indication is given, the proxy, at his/her discretion, will vote as he/she thinks fit.
6. Article No. 63 of the Articles of Association of the Company provides that: "In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative shall be accepted to the exclusion of the votes of the other joint-holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding".
7. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and/or attested in the manner prescribed by its Articles of Association.
8. When a proxy is signed by an attorney, the legally executed power of attorney in accordance with the relevant regulatory provisions must be deposited at the company's registered office for registration.

Name of Shareholder :

NIC/Passport/Company Reg. No. of Shareholder :

Membership No./Share Certificate No. :

CDS Account No. [if applicable] :

No. of Shares :

Name of Proxyholder :

NIC No./Passport No. of Proxyholder :



Sampath Bank

WE PRESENT YOUR FUTURE



www.sampath.lk