

*A
Million
Million*



**Millions of lives impacted.
Millions of rupees invested.
Millions achieved year on year.**

A million million ways to grow.

Here at Sampath Bank, as we come to the close of an eventful year characterised by momentous change and uncertainty, we are proud to celebrate yet another notable milestone in our history with our stakeholders; as we became the youngest bank to surpass an asset base of **one trillion rupees**.

As we look back on all we have achieved thus far, this report pays tribute to the many millions that came together to bring about the results we showcase today - the millions of partnerships, the millions of livelihoods, the millions of projects and the immeasurable contribution of each and every stakeholder we serve.

Today, we move forward with a clear vision. We are energised with a purpose and geared to face the future - built on a solid foundation of unmatched skill, talent and strategy to push us further along a trajectory of national growth and progress. We strive to reach new heights as we seek out a million million new ways to grow.



Sampath Bank
WE PRESENT YOUR FUTURE

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ABOUT THE REPORT

Report Profile ▶GRI - 102-50,52

Each year Sampath Bank prepares and publishes its Annual Report with the intention of providing its stakeholders with a clear understanding of the Bank's performance and prospects for a given financial year.

The current report which covers the financial year 1st January 2020 to 31st December 2020 is the 7th Integrated 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 2019 are available for viewing and downloading on our corporate website - www.sampath.lk

Scope and Boundary ▶GRI - 102-46

The report covers the operations of Sampath Bank PLC in its entirety and includes all business and operational activities as well as administrative support functions of the Bank during the reporting period.

The report showcases both financial and non-financial aspects of the Bank's performance, essentially providing a clear and concise account of the steps we are taking to achieve our strategic vision while balancing the expectations of all stakeholders.

Also included in the report is a brief summary of the performance of all four subsidiaries under the Sampath Bank Group.

In this manner, the report caters to the information needs of not only our shareholders but a diverse audience across our value chain.






Changes to this year's report

In keeping with environmentally-friendly best practices, a number of key areas of Sampath Bank's 2020 Annual Integrated Report have been moved online. Accordingly, the Capital Management Reports, Material Topics and their Management Approaches are shown as online content, with only a summary of these areas being included in the 2020 printed Annual Report.

Reporting Frameworks ▶GRI - 102-12,54

The content of this report is based on the Six Capitals Model introduced by the International <IR> Framework. By adopting the Six Capitals Model, we are looking to demonstrate how we use integrated thinking to transform our capital resources (Inputs) in order to deliver financial results and create value (Outcomes) for our stakeholders. To illustrate how this takes place, the report narrative has been structured based on Material Topics that influence our business model, strategy, performance and future prospects. The process of determining Materiality is described in detail on page 6 of this Annual Report.

Other applicable reporting frameworks include;

<ul style="list-style-type: none"> ➤ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka ➤ Companies Act No. 07 of 2007 ➤ Banking Act No. 30 of 1988 and amendments thereto ➤ Listing Rules of the Colombo Stock Exchange 	 <p>Financial Reporting</p>
<ul style="list-style-type: none"> ➤ 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 ➤ Listing Rules of the Colombo Stock Exchange 	 <p>Governance, Compliance and Risk Reporting</p>
<ul style="list-style-type: none"> ➤ Global Reporting Initiative (GRI) Standards - "In Accordance Comprehensive" issued by Global Sustainability Standards Board ➤ Guidelines on ESG Reporting issued by the Colombo Stock Exchange ➤ United Nations Sustainable Development Goals (SDGs) 	 <p>Sustainability Reporting</p>

Since Sampath Bank commenced its integrated reporting journey in 2014, this is the 7th Integrated Annual Report released.

Combined Assurance ▶GRI - 102-56

We have adopted the principles of combined assurance where inputs from both internal and external sources are used to review and verify the accuracy and authenticity of the content included in this report.

Internally, the Bank's Management provides assurances regarding the validity of information, data and statistics contained in the report. Messrs Ernst and Young, Chartered Accountants provide external assurance for the Bank's Financial Statements and also provide an independent assurance on selected

sustainability indicators. Page 372 of this report contains a copy of the independent assurance statement issued by Messrs Ernst and Young, with regard to Sampath Bank's adherence to the GRI Standards.

Forward-Looking Statements






This report contains certain forward-looking statements with regard to Sampath Bank's financial position, results, operations and business activities. These statements involve risk and uncertainty as they relate to and depend on events that occur in the future. Therefore, it can

be reasonably assumed that incidents that occur in the future may cause actual results or outcomes to differ materially from what was expressed or implied by forward-looking statements.

Therefore, all forward-looking statements are deemed to be applicable only on the date of publication of this Annual Report. As such, Sampath Bank does not accept any obligation to revise or in any way update at a later date, the information expressed in these forward-looking statements.

Matters of Interest to Stakeholders	Where to Find it in this Report	Page Reference (starting from)
How we bring our vision to life	Strategy and Business Model	42
Our leaders' views	Chairman's Message	30
	Managing Director's Review	36
Delivering on our strategy	Capital Management Reports	58
	Business Reports	81
How our business is governed and managed	Risk Management Report	108
	Compliance Report	117
	Corporate Governance Report	119
Measuring our success	Financial Information	182

Our Progress in Sustainability Reporting ▶GRI - 102-51

				
2011	2012	2013	2014 - 2016	2017 - 2020
▼	▼	▼	▼	▼
Stand-alone Report GRI 3.1 Level B External Assurance Provided	Incorporated in Annual Report GRI 3.1 Level B External Assurance Provided	Stand-alone Report GRI G4 - Comprehensive External Assurance Provided	Integrated Report GRI G4 - Comprehensive External Assurance Provided	Integrated Report GRI Standards - Comprehensive External Assurance Provided

Feedback and Queries ▶GRI - 102-53

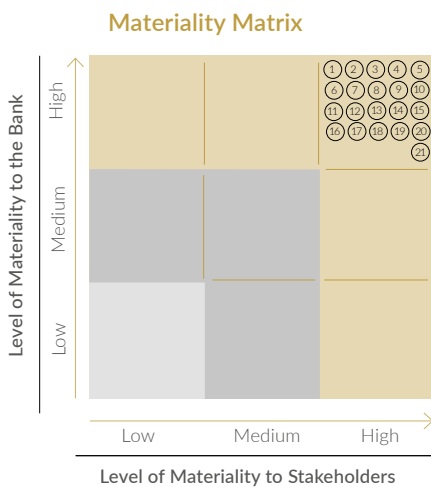
While taking this opportunity to appreciate the feedback received regarding our 2019 Annual Report, readers are urged to use the Feedback Form on pages 379 and 380 of this report, to submit their insights on Sampath Bank's latest Integrated Annual Report for 2020.

MATERIAL TOPICS

A comprehensive broad-based stakeholder engagement survey conducted in 2020 helped to verify and validate the relevance of our Material Topics against economic, social and environmental parameters.

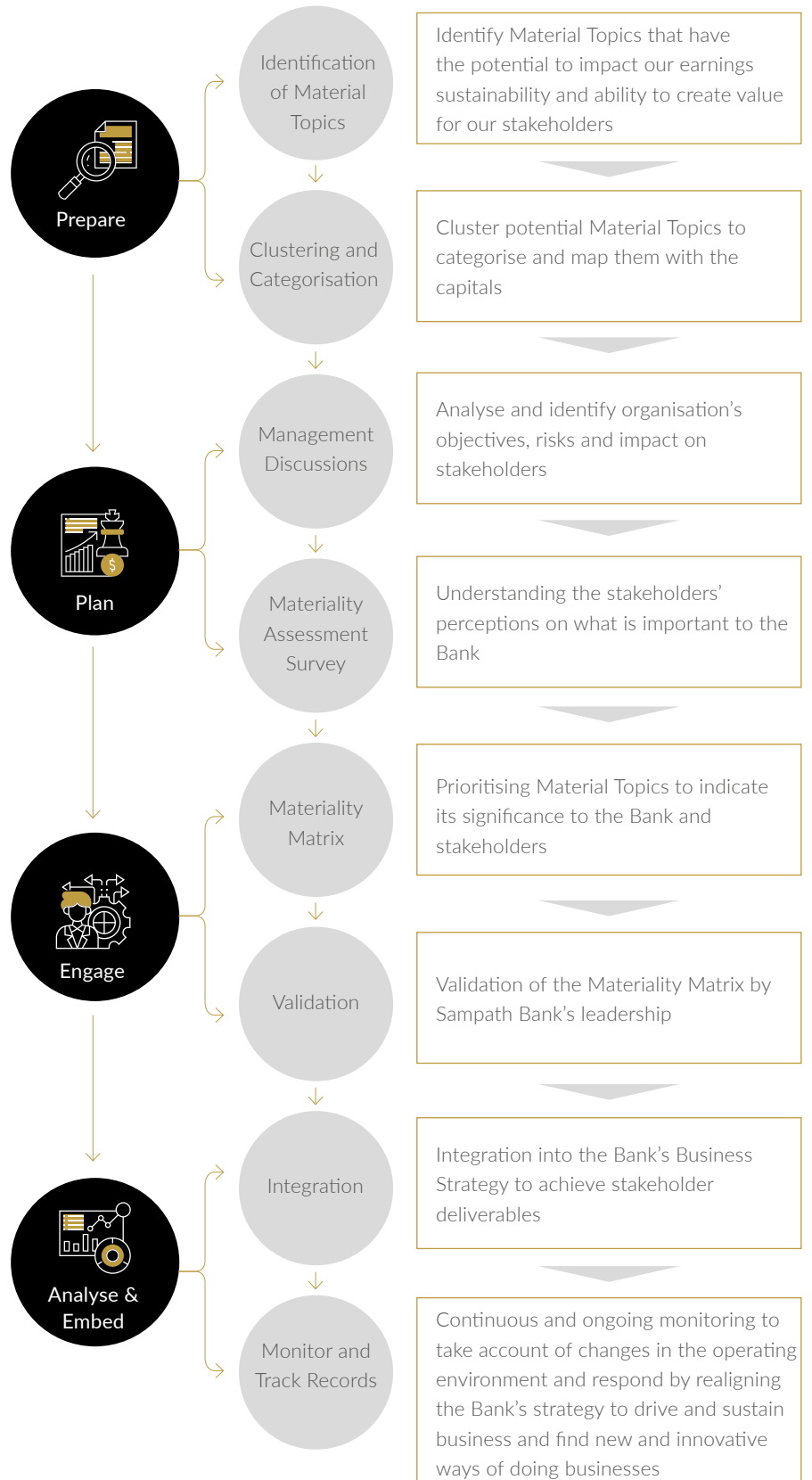
Material Topics are determined by their significance, probability of occurrence and the impact on the Bank's ability to create stakeholder value over the short, medium and long term. In this way, materiality serves as a valuable tool to guide our strategy development and resource allocation processes to enable the Bank to meet stakeholder deliverables.

A comprehensive broad-based stakeholder survey conducted in 2020 helped to verify and validate the relevance of our Material Topics against economic, social and environmental parameters.



Our Materiality Monitoring Process

GRI - 102-46,47/103-1,2



▶ GRI - 102-49

Material Topics	Level of Materiality to the Bank	Level of Materiality to Stakeholders
1 Profitability & financial stability	High	High
2 COVID-19 pandemic and its impact	High	High
3 Physical channels	High	High
4 Digitalisation agenda	High	High
5 Business continuity planning	High	High
6 Corporate brand image/goodwill building	High	High
7 Information security	High	High
8 Talent acquisition and management	High	High
9 Learning and development	High	High
10 Employee relations	High	High
11 Employee engagement	High	High
12 Anti-corruption practices	High	High
13 Customer convenience	High	High
14 Customer health and safety	High	High
15 Sales promotions, marketing communication and information availability on Bank's products and services	High	High
16 Customer privacy	High	High
17 Complaint management	High	High
18 Research and development	High	High
19 Financial inclusion agenda	High	High
20 Community development	High	High
21 Environment protection and conservation	High	High

Out of the 21 Material Topics for 2020, 20 remained unchanged from the previous year. The only new topic that became relevant in 2020 was the "COVID-19 pandemic and its impact", a topic that was rated at a higher level of materiality by the Bank and its stakeholders. Hence it is discussed as a separate topic below.

COVID-19 pandemic and its impact

Since first emerging in Sri Lanka in March 2020, the COVID-19 pandemic has had an impact on several key aspects of our business model, albeit in varying degrees of severity. Our core lending business was affected by weak credit demand, which was the result of the economic downturn and disruptions to global trade, while our day-to-day operations were challenged by the lockdown and other pandemic related restrictions imposed by the authorities. Amidst this backdrop, the safety of our employees too became a key concern.

Adopting a proactive approach to stay ahead of the challenges, our efforts were pivoted on;

- Safeguarding our business in the short term while ensuring long term continuity notwithstanding future challenges.
- Assuring the safety of our employees.
- Continuing to provide customers with an uninterrupted service.

We initiated strategic action on multiple levels by realigning our risk fundamentals, strengthening governance frameworks, expanding the use of digital platforms and reforming certain aspects of our business model to enhance the Bank's overall responsiveness to challenges.

The measures taken throughout 2020 in response to the COVID-19 challenges and their outcomes are described in detail in the Capital Management Reports from pages 58 to 80.

MATERIAL TOPICS

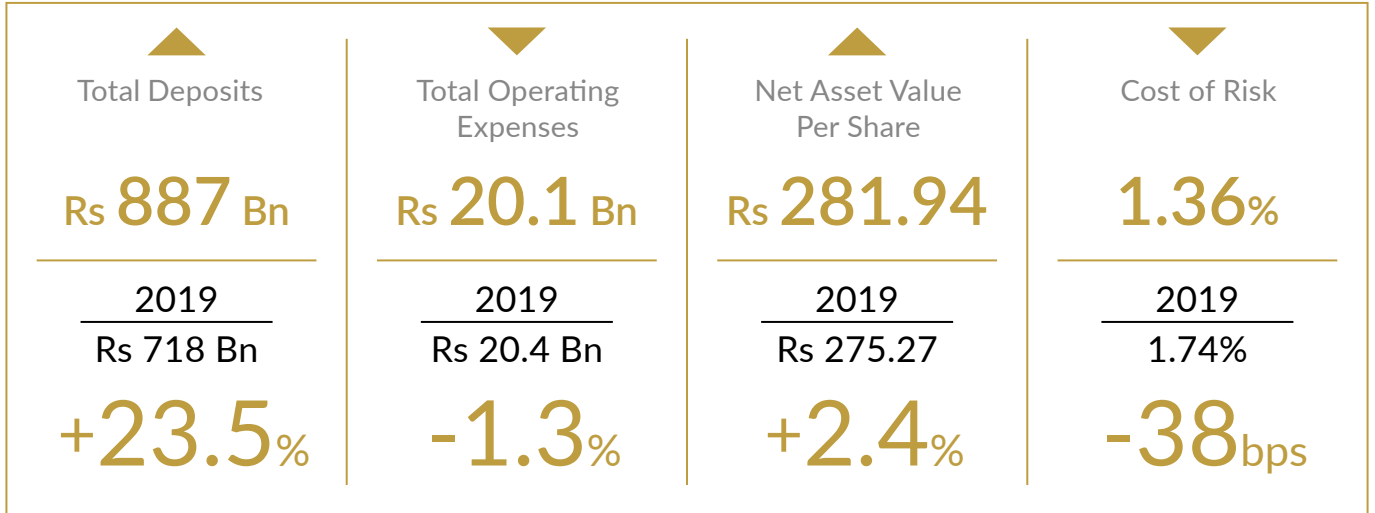
▶ GRI - 102-49

Material Topics	Reason for Materiality	Topic Boundary	Linked to Strategy through	Page Reference to Management Approach
Economic Topics				
Profitability and financial stability	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.	Internal/ External	Financial Capital	Page 3 of Supplementary Disclosures Report published in Sampath Bank's website
COVID-19 pandemic and its impact	The COVID-19 pandemic has impacted several key aspects of our business model in varying degrees of severity. The greatest impact was on our core lending business and branch operations.	Internal/ External	All Six Capitals	Page 3 to 52 of Supplementary Disclosures Report published in Sampath Bank's website
Physical channels	Physical channels such as our branches, ATMs and Cash Deposit Machines are the main sources that connect customers and the Bank.	Internal/ External	Manufactured Capital	Page 10 of Supplementary Disclosures Report published in Sampath Bank's website
Digitalisation agenda	Digitalisation agenda supports the Bank's efforts to transform into a world-class digital financial institution.	Internal/ External	Manufactured Capital	
Business continuity planning	Provides a framework for building resilience and the capability to safeguard the interests of key stakeholders, the Bank's reputation, and business activities, in the event of unforeseen disruptions.	Internal/ External	Intellectual Capital	Page 15 of Supplementary Disclosures Report published in Sampath Bank's website
Corporate brand image/goodwill building	One of the most valuable indicators of Sampath Bank's success as it determines our status quo in the local banking sector based on our ability to consistently honour our promises to our stakeholders.	Internal/ External	Intellectual Capital	
Information security	A solid information security framework helps to build trust and safeguard the Bank's reputation.	Internal/ External	Intellectual Capital	
Social Topics				
Talent acquisition and management	Safeguards Sampath Bank's competitive edge over peers and helps to realise the Bank's strategy and long term vision.	Internal	Human Capital	Page 20 of Supplementary Disclosures Report published in Sampath Bank's website
Learning and development	Our competitive position, our success as a bank and the continuity of our business, all depend on our people having the required knowledge, skills and capabilities, which can be achieved through continuous and ongoing learning and development.	Internal	Human Capital	
Employee relations	Strong employee relations is the key to securing the commitment of our employees towards the Bank's current and future prospects.	Internal	Human Capital	
Employee engagement	Ensures employees stay motivated, thereby increasing overall employee productivity.	Internal	Human Capital	
Anti-corruption practices	Protects the Bank's reputation and the legitimacy of the business.	Internal/ External	Human Capital	

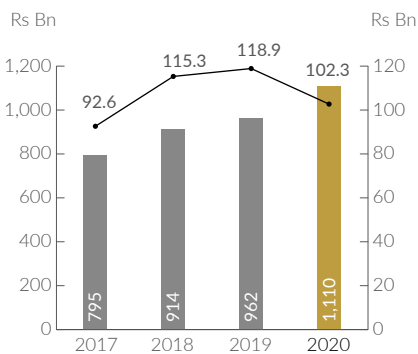
Material Topics	Reason for Materiality	Topic Boundary	Linked to Strategy through	Page Reference to Management Approach
Customer convenience	One of the most important ways in which differentiation can be achieved in the banking business.	Internal/ External	Social and Relationship Capital	Page 32 of Supplementary Disclosures Report published in Sampath Bank's website
Customer health and safety	Making certain that our products and services are not used in the furtherance of financial crime, such as money laundering, financing of terrorism, fraud and corruption.	Internal/ External	Social and Relationship Capital	
Sales promotions, marketing communication and information availability on Bank's products and services	An important part of how we connect with our customers and differentiate our value proposition from that of peers.	Internal/ External	Social and Relationship Capital	
Customer privacy	Vital in gaining customer trust.	Internal/ External	Social and Relationship Capital	
Complaint management	Effective complaint resolution is a key measurement of customer satisfaction.	Internal/ External	Social and Relationship Capital	
Research and development	Provides the opportunity to identify new and more innovative ways to serve our customers by catering to their diverse needs in a more holistic manner.	Internal/ External	Social and Relationship Capital	
Financial inclusion agenda	Use our expertise as a Bank to offer banking and financial services to individuals thereby reducing poverty and increasing prosperity across the nation.	Internal/ External	Social and Relationship Capital	
Community development	Contributes towards uplifting the lives of socially and economically disadvantaged communities across Sri Lanka.	Internal/ External	Social and Relationship Capital	
Environmental Topics				
Environment protection and conservation	The steps we as an organisation are taking towards the protection and conservation of the natural environment.	Internal/ External	Natural Capital	Page 47 of Supplementary Disclosures Report published in Sampath Bank's website

FINANCIAL HIGHLIGHTS

Bank

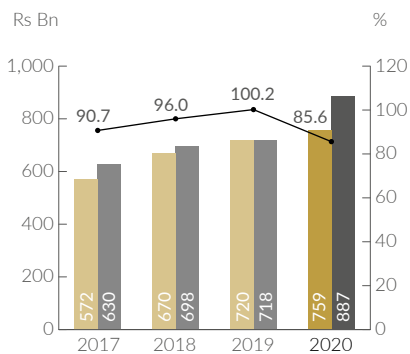


Total Assets & Gross Income



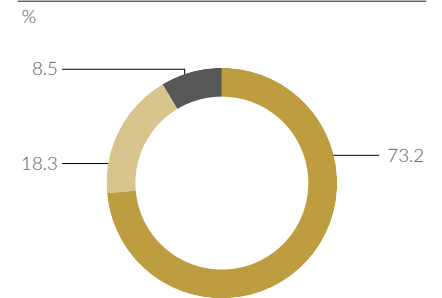
■ Total Assets
— Gross Income (RHS)

Total Advances & Total Deposits



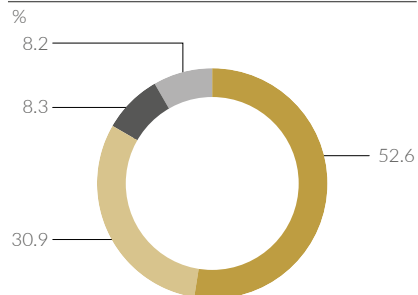
■ Total Advances - Gross
■ Total Deposits
— Loan to Deposit Ratio (RHS)

Composition of Total Operating Income 2020



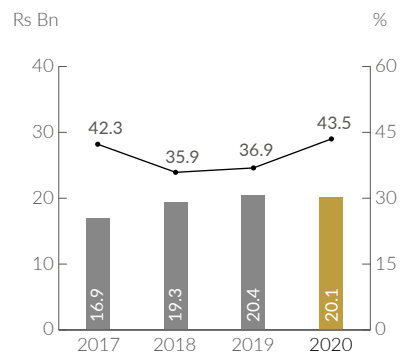
■ Net Interest Income
■ Net Fee & Commission Income
■ Trading, Investment & Other Operating Income

Composition of Total Expenses 2020



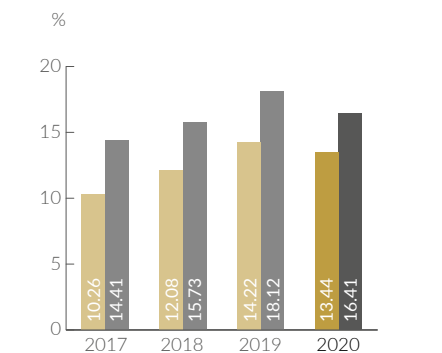
■ Operating Expenses
■ Taxes on Financial Services
■ Impairment Charge
■ Income Tax Expense

Operating Expenses & Cost to Income



■ Operating Expenses
— Cost to Income (RHS)

Total Tier I Capital & Total Capital



■ Total Tier I Capital Ratio
■ Total Capital Ratio

GRI - 102-7

	Bank			Group		
	2020	2019	Change %	2020	2019	Change %
Profitability (Rs Mn)						
Gross income	102,339	118,855	(13.9)	109,208	125,921	(13.3)
Total operating income	46,213	55,177	(16.2)	50,066	59,141	(15.3)
Operating expenses & impairment charge	31,878	32,939	(3.2)	34,783	35,651	(2.4)
Operating profit before taxes on financial services	14,335	22,238	(35.5)	15,284	23,490	(34.9)
Taxes on financial services	3,163	6,740	(53.1)	3,394	7,152	(52.5)
Profit before income tax	11,172	15,498	(27.9)	11,890	16,338	(27.2)
Income tax expense	3,147	4,347	(27.6)	3,447	4,670	(26.2)
Profit for the year	8,025	11,151	(28.0)	8,443	11,668	(27.6)
Assets & Liabilities (Rs Mn)						
Due to banks & due to depositors	886,873	718,301	23.5	903,647	731,240	23.6
Gross loans & advances	758,942	719,624	5.5	794,080	751,078	5.7
Total equity	107,549	105,006	2.4	114,415	111,457	2.7
Total liabilities	1,002,722	857,345	17.0	1,035,271	887,866	16.6
Total assets	1,110,271	962,350	15.4	1,149,685	999,323	15.0
Investor Information						
Net asset value per share (Rs)	281.94	275.27	2.4	299.94	292.19	2.7
Market value per share (Rs)	135.60	162.40	(16.5)			
Earnings per share - Basic/Diluted (Rs)	21.04	32.84	(35.9)	22.13	34.36	(35.6)
Total dividend per share (Rs)	8.25*	11.75	(29.8)			
Cash dividend per share (Rs)	8.25*	11.75	(29.8)			
Dividend cover (Times)	2.55	2.49	2.4			
Dividend payout ratio (%)	39.21	40.19	(2.4)			
Gross dividend (Rs Mn)	3,147	4,482	(29.8)			
Market capitalisation (Rs Mn)	51,726	61,949	(16.5)			
Other Ratios						
Dividend yield (%)	6.08	7.24	(16.0)			
Earnings yield (%)	15.51	20.22	(23.3)	16.32	21.16	(22.9)
Price earning ratio (Times)	6.45	4.95	30.3	6.13	4.73	29.6
Price to book value (Times)	0.48	0.59	(18.6)	0.45	0.56	(19.6)
Total impairment on loans as a % of gross loans and advances	5.10	4.20	21.4	5.24	4.26	23.0
Cost of risk (%)	1.36	1.74	(21.8)	1.48	1.82	(18.7)
Non-performing loan ratio (%)	6.30	6.37	(1.1)			
Liquid assets ratio						
- Domestic Banking Unit (%)	34.98	21.51	62.6			
- Off-Shore Banking Unit (%)	37.60	26.88	39.9			
Liquidity coverage ratio						
- Rupee (%)	424.90	177.29	139.7			
- All currency (%)	293.37	149.17	96.7			
Net stable funding ratio (%)	144.00	126.80	13.6			
Fitch Rating	AA- (lka) (Stable)	A+ (lka) (Stable)				

Key Performance Indicators - Bank

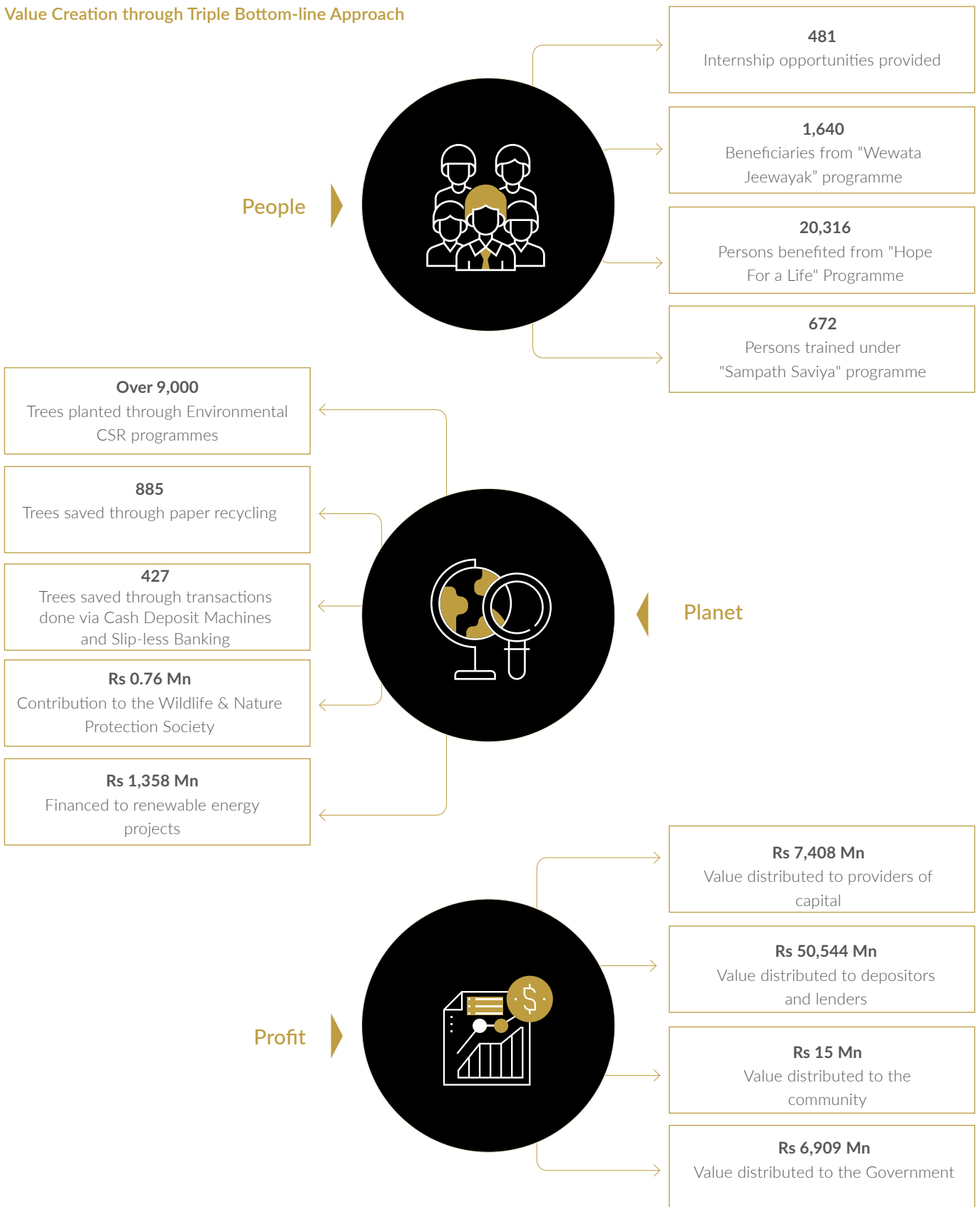
	2020	2019	2018	2017	2016
Return on average assets (before tax) (%)	1.09	1.66	2.13	2.29	2.14
Return on average assets (after tax) (%)	0.78	1.20	1.41	1.67	1.55
Return on average equity (after tax) (%)	7.58	11.78	16.02	23.35	23.47
Growth in profit (%)	(28.03)	(8.17)	0.32	32.65	48.76
Growth in total assets (%)	15.37	5.26	14.98	20.74	25.36
Cost to income ratio (excluding taxes on financial services) (%)	43.48	36.91	35.92	42.32	47.83
Capital adequacy ratios	Basel III	Basel III	Basel III	Basel III	Basel II
- Common equity Tier I (%)	13.44	14.22	12.08	10.26	n/a
- Total Tier I (%)	13.44	14.22	12.08	10.26	8.31
- Total capital (Tier I+Tier II) (%)	16.41	18.12	15.73	14.41	12.87
Leverage ratio	6.94	8.12	n/a	n/a	n/a

n/a - not applicable

* Based on proposed dividend which is to be approved at the Annual General Meeting and the number of shares in issue as at 15th February 2021.

NON-FINANCIAL HIGHLIGHTS

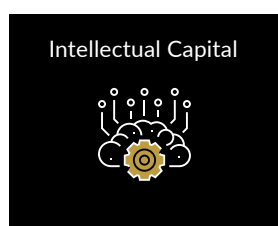
Value Creation through Triple Bottom-line Approach



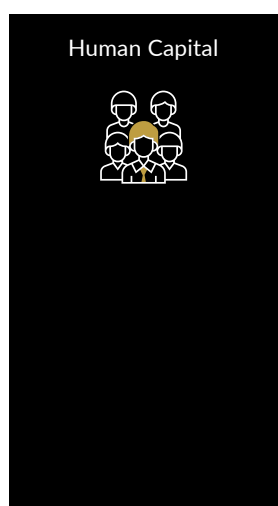
GRI - 102-7



Key Indicator	Measurement	2020	2019
Investment in building, plant and equipment	Rs Mn	478	864
ATMs	Number	445	423
Cash Deposit Machines	Number	465	429



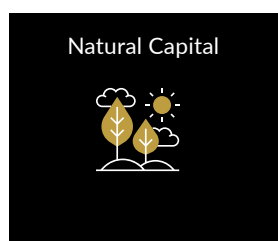
Key Indicator	Measurement	2020	2019
Investment in IT software development	Rs Mn	199	248
Brand value	Rs Mn	28,645	25,847



Key Indicator	Measurement	2020	2019
Total employees	Number	4,048	4,134
Total training hours	Hours	172,900	138,849
Average training hours per employee	Hours	42.7	33.6
Internal staff promotions	Number	154	336
Staff retention ratio	%	99	98
Return to work after maternity leave	%	100	99
Industrial disputes	Number	Nil	Nil
Percentage of employees receiving performance appraisals	%	100	100
Female representation in corporate management	%	21	16
Gender diversity ratio (Male : Female)	Ratio	66:34	65:35
Revenue per employee	Rs Mn	25.3	28.8



Key Indicator	Measurement	2020	2019
Persons trained under "Sampath Saviya" programme	Number	672	1,134
Interest on customer deposits	Rs Bn	47.4	52.9
Intern and industrial placements intake	Number	481	1,351
Total taxes paid	Rs Bn	10.5	19.0



Key Indicator	Measurement	2020	2019
Carbon footprint of the Bank	tCO ₂ e	9,138	11,057
Electricity saving through solar power generation	kWh	251,908	181,936
Electricity consumption in Head Office	kWh	3,170,946	3,269,475
Loans disbursed under green lending schemes	Rs Mn	555	732

01

INTRODUCTORY INFORMATION

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Board of Directors 20 | Corporate Management 26

*A
Million
People*

A million endeavours through the years, Sampath Bank has greatly impacted the development of the nation's people. Today, as we celebrate and support millions of endeavours, we are making Sri Lanka's prosperous future a reality.

OUR VISION AND VALUES

Our Vision

GRI - 102-16

“The Growing Force in Sri Lankan Financial Services”



ABOUT THE BANK

► GRI - 102-1,2

Incorporated in 1986 as a licensed commercial bank and listed on the Colombo Stock Exchange a year later, Sampath Bank has built a reputation as one of the most trusted and stable financial institutions not only in Sri Lanka, but also across the wider South Asian region. Today, Sampath Bank is among the largest private banks in the country, backed by an asset base in excess of Rs 1.1 Tn and a solid National Long Term Rating of 'AA- (lka) with Stable outlook' assigned by Fitch Ratings.

Our legacy is built on the explicit commitment to bring high quality banking solutions within reach of every Sri Lankan. Over the past three decades, we have been working to make banking a simple and effective process for our customers by providing them with ever more dynamic banking solutions that are also more affordable.

What we offer



Consumer Banking

Banking and other financial services to individual customers and small-to medium-sized enterprises.



Corporate Banking

Advanced Banking solutions and corporate advisory services to large corporates, financial institutions and multinational companies.



Treasury Services

Innovative products and services in foreign exchange, money and fixed income markets to clients.

2011 - 2020: Blazing Trails

2020 - Sampath Bank sets a spectacular industry record by exceeding 1 Trillion Rupees worth of Asset base in just 33 years.

Sampath Bank PLC is rated among the top 1000 World Banks by the UK's "The Banker" magazine in its 50th anniversary edition.

2019 - Recognition for ICT excellence at the National ICT Awards and the LankaPay Technovation Awards.

2018 - Launch of "Slip-less Banking" for the first time in Sri Lanka.

2017 - Launch of the drive-thru ATM.

2016 - First bank in Sri Lanka to launch Visa PayWave enabled cards.

2015 - Reclaimed the prestigious title of "Sri Lanka's Bank of the Year" for 2015 and won the globally recognised "The Banker Award" conferred by the UK's "The Banker" magazine owned by the prestigious "Financial Times Group".

2014 - Selected as the "Best Bank in Sri Lanka - 2014" by the prestigious, global Business Magazine "The Euromoney", for the second consecutive year.

2013 - Pioneered the launch of the "Cardless Cash ATM" in Sri Lanka.

2012 - Awarded the "Best Banking Group in Sri Lanka 2012", by the prestigious World Finance Magazine.

2011 - Introduced the Super Branch concept offering 365-day banking.

2001 - 2010: Striding Ahead

2009 - Became the third largest private sector commercial bank in Sri Lanka in terms of total assets.

2004 - Awarded A+ (sri) National Rating by Fitch Rating (Lanka) Limited.

2003 - Became the first Bank in Sri Lanka to introduce "one day clearing" for all cheques drawn on any Sampath Bank branch.

1991 - 2000: Making Waves

2000 - Launched the "Sampathnet" internet banking facility.

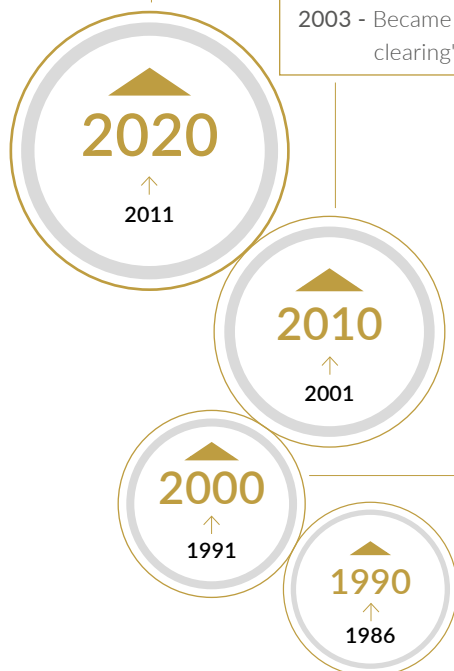
1999 - Sampath Bank was listed under the 300 Best Small Companies in the world by the Forbes Global Magazine.

1997 - The DEBIT CARD was introduced in association with CIRRUS and MAESTRO, the first in South Asia.

1986 - 1990: The Early Years

1989 - Uni-banking system was introduced to Sri Lanka.

1988 - The first bank in Sri Lanka to operate a multi-point network of ATMs.



PRODUCT PORTFOLIO

Consumer Banking

Current Accounts	<ul style="list-style-type: none"> Sampath General Current Account Sampath Supreme Current Account Sampath Payment Guaranteed Cheques 	<ul style="list-style-type: none"> Sampath Double S Sampath Hit Saver
Savings	<ul style="list-style-type: none"> Regular Savings Children's Savings Teenage Savings Ladies Savings Senior Citizens' Savings Money Market Accounts Sampath Dream Planner 	<ul style="list-style-type: none"> Sampath Pubudu & Sapiri X-SET Ladies 1st Sampath Sanhinda Saver
Term Deposit Accounts	<ul style="list-style-type: none"> Regular Deposits Flexible Deposits Senior Citizens' Deposits 	<ul style="list-style-type: none"> Fixed Deposits Certificate of Deposits
Foreign Currency Accounts	<ul style="list-style-type: none"> Personal Foreign Currency Accounts (PFCA) Business Foreign Currency Accounts (BFCA) Inward Investment Accounts (IIA) Outward Investment Accounts (OIA) Diplomatic Foreign Currency Accounts (DFA) and Diplomatic Rupee Accounts (DRA) Resident Guest Scheme - Special Accounts Senior Foreign Nationals - Special Accounts Sampath FC Prime Account 	<ul style="list-style-type: none"> Sampath Kalin Cash Easy FD Sampath Sanhinda FD
Loans	<ul style="list-style-type: none"> Housing Loans Business Loans Personal Loans 	<ul style="list-style-type: none"> Sevana Housing Loan Sevana Dayada Housing Loan Foreign Currency Housing Loan
Leasing	<ul style="list-style-type: none"> Sampath Leasing 	<ul style="list-style-type: none"> Factoring Facility Sampath BIZCASH Sampath Saviliya Sampath Soorya Loan Facility
Accounts for Professionals	<ul style="list-style-type: none"> Sampath Professional Account 	<ul style="list-style-type: none"> Sampath Samachara Loan Special Loans for Government Medical Officers ODFD Sampath Soorya Loan Facility
Pawning	<ul style="list-style-type: none"> Sampath Randiriya Gold Loan 	
Agent Banking	<ul style="list-style-type: none"> MYBANK 	
Gift Vouchers	<ul style="list-style-type: none"> Sampath Thilina 	
SampathCards	<ul style="list-style-type: none"> Sampath Credit Cards Sampath Debit Cards Sampath Web Card 	<ul style="list-style-type: none"> Sampath Visa Credit Cards Sampath Mastercard Credit Cards Sampath Bank American Express® Credit Cards
Foreign Remittances	<ul style="list-style-type: none"> e-Remittance 	
Relationship Banking	<ul style="list-style-type: none"> Platinum Plus 	<ul style="list-style-type: none"> Sampath Vishwa Retail PayEasy Ustocktrade Chatbot
Digital/Electronic Banking	<ul style="list-style-type: none"> Internet Banking Mobile Banking ATM Banking 	<ul style="list-style-type: none"> Sampath WePay Sampath Bank App Sampath Slipless Banking Sampath igift Sampath Missed Call Banking Telebanking SMS Alertz SMS Banking Mobile Cash
Safety Lockers	<ul style="list-style-type: none"> Sampath Safe Deposit Lockers 	<ul style="list-style-type: none"> Banking Robot Sampath Cardless Cash Off-site ATMs Interbank ATM Network Cash Deposit ATMs Cheque Deposit ATMs Cash Deposit Kiosks
Clubs & Societies Accounts	<ul style="list-style-type: none"> Sampath Samaja 	
Entrepreneur Development	<ul style="list-style-type: none"> Sampath Saviya 	

GRI - 102-2






































Corporate Banking

Financing	<ul style="list-style-type: none"> Corporate Credit Corporate Finance Foreign Currency Banking Unit (FCBU)
International Trade	<ul style="list-style-type: none"> Trade Services Correspondent Banks
Digital Banking	<ul style="list-style-type: none"> Sampath Vishwa Corporate Payment Gateway Services E-commerce enabled through Evolve Open Banking QR Merchant Biller Sharing Listing as a Biller in Sampath Vishwa, WePay and Payeasy.lk
Cash Management	<ul style="list-style-type: none"> Corporate Cash Management Solution
Corporate Investments	<ul style="list-style-type: none"> Money Market Account

Treasury

Spot Contracts	Treasury Bills
Forward Exchange Contracts	Treasury Bonds
Repo & Reverse Repo	

New Offering

Sampath Soorya (Solar Loan Facility)

The "Sampath Soorya" is a special low interest rate loan scheme which aims to promote solar energy generation for domestic and commercial purposes. By adding value to customers, the economy and the environment, the "Sampath Soorya" loan scheme is designed to support the Sri Lankan government's efforts to increase the use of solar power across the country as part of its long term sustainable energy initiative.

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BOARD OF DIRECTORS



Mr Harsha Amarasekera, PC
Chairman



Mr Nanda Fernando
Managing Director



Mr Rushanka Silva
Deputy Chairman



Mr Deshal de Mel
Senior Independent Director



Ms Annika Senanayake
Director



Mr Ranil Pathirana
Director



Mr Dilip de S Wijeyeratne
Director



Ms Aroshi Nanayakkara
Director



Dr Sanjiva Weerawarana
Director



Mr Vajira Kulatilaka
Director



Mrs Keshini Jayawardena
Director



Mr Ajantha de Vas Gunasekara
Executive Director/
Group Chief Financial Officer



Mr Lasantha Senaratne
Company Secretary



Mr Muditha Walpola
Assistant Company Secretary

BOARD OF DIRECTORS

►GRI - 102-22,23

Mr Harsha Amarasekera, President's Counsel Chairman

Non-Independent, Non-Executive Director

Qualifications, Skills & Experience:

Mr Amarasekera, President's Counsel is an eminent legal practitioner in Sri Lanka with a wide practice in both the Commercial Courts as well as the Appellate Courts. His areas of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. Mr Amarasekera also has significant experience in arbitration and cross-national disputes.

Mr Amarasekera, was admitted to the Bar in November 1987 and took oaths as a President's Counsel in November 2012.

Appointed to the Board:

18th August 2020 as a Non-Independent, Non-Executive Director and appointed as Chairman on 30th August 2020.

Membership in Board Sub Committees:

Chairman of Board Strategic Planning Committee. Member of Board Nomination Committee, Board Marketing Committee and Board Capital Planning Committee.

Current Appointments:

Chairman of Sampath Bank PLC, CIC Holdings PLC, Swisstek (Ceylon) PLC, CIC Agri Business (Private) Limited and Swisstek Aluminum Limited. Deputy Chairman of Vallibel Power Erathna PLC and a Director of Vallibel One PLC, Expolanka Holdings PLC, Chevron Lubricants Lanka PLC, Royal Ceramics Lanka PLC, Ambeon Capital PLC, Amaya Leisure PLC, Galle Face Management Company (Pvt) Ltd, Link Natural Products (Pvt) Ltd, The Hill Club Company Limited, Millennium Airlines (Pvt) Ltd, Millennium Investments Lanka (Pvt) Ltd, Ceylon Hotels Holdings (Pvt) Ltd, Handhuvaru Ocean Holiday Private Limited and Silver Aisle (Pvt) Ltd.

Former Appointments:

Chairman of Asia Capital PLC, Asian Alliance PLC, Chemanex PLC, Bensons (Pvt) Ltd and Director of Keells Food Production PLC, Delmege (Pvt) Ltd and Amana Bank PLC.

Mr Nanda Fernando Managing Director

Executive Director

Qualifications, Skills & Experience:

Possess 38 years of experience in Banking and Finance, driving multiple aspects of Banking business, Transactional Banking in Retail and Corporate Banking, among many other key growth areas. He is an Associate member and a Senior Fellow member of the Institute of Bankers of Sri Lanka and holds a Masters of Business Administration specialised in Marketing from Sikkim Manipal University, India. He is also a qualified Four Bead Leader Trainer and functions as the Group Advisor to the Scouts Group Committee of S. Thomas' College, Mount Lavinia. He serves as The National Training Commissioner of the Sri Lanka Scout Association currently.

Appointed to the Board:

13th September 2016 as an Executive Director.

Membership in Board Sub Committees:

Member of Board Integrated Risk Management Committee, Board Credit Committee, Board Shareholder Relations Committee, Board Strategic Planning Committee, Board IT Committee, Board Treasury Committee, Board Marketing Committee and Board Capital Planning Committee.

Current Appointments:

Managing Director of Sampath Bank PLC, Director of Lanka Financial Services Bureau Ltd, Lanka Bangla Finance Limited and a Governing Board Director of the Institute of Bankers of Sri Lanka.

Former Appointments:

Chairman of Bankers' Technical Advisory Committee, which functions under the purview of the Sri Lanka Bankers' Association, a past District Commissioner of the Sri Lanka Scout Association, Director of SC Securities (Pvt) Ltd and Lanka Clear (Pvt) Ltd.

Mr Rushanka Silva Deputy Chairman

Non-Independent, Non-Executive Director

Qualifications, Skills & Experience:

Dedicated professional with a solid background in Management Accounting, Marketing and Sales. An Associate Member of the Chartered Institute of Management Accountants UK (ACMA). Strategic and creative thinker who has proven his ability to develop strong client relationships quickly and promote teamwork efficiently and a leader with a rich mixture of experience and successes in the business world, having completed his secondary education at Trinity College, Kandy. Holds a Masters of Business Administration from University of Western Sydney, Australia. An alumnus of Harvard Business School (USA).

Appointed to the Board:

1st September 2017 as a Non-Independent, Non-Executive Director and appointed as Deputy Chairman on 24th September 2020.

Membership in Board Sub Committees:

Chairman of Board Shareholder Relations Committee and Board Capital Planning Committee. Member of Board Credit Committee, Board Nomination Committee, Board Treasury Committee, Board Strategic Planning Committee, Board Marketing Committee and Board IT Committee.

Current Appointments:

Deputy Chairman of Sampath Bank PLC and Siyapatha Finance PLC. Chairman of Braybrooke Residential Properties (Pvt) Ltd, Braybrooke Residential Towers

(Pvt) Ltd and Indra Hotels and Resorts Kandy (Pvt) Ltd. Managing Director of Indra Traders (Pvt) Ltd, a Director of Indra Motor Spares (Pvt) Ltd, Indra Property Development (Pvt) Ltd and Sampath Centre Limited.

Mr Deshal de Mel

Senior Independent Director
Non-Executive Director

Qualifications, Skills & Experience:

An eminent Economist, earned a degree in Philosophy, Political Science and Economics from the University of Oxford and Masters in International Political Economy from the London School of Economics. His publications can be found in a number of books and journals and also recognised by the World Economic Forum as a 'Young Global Leader' in 2019.

Appointed to the Board:

Previously served on the Board of Directors of Sampath Bank PLC as a Non-Executive Director (2012 - 2017) and re-joined on 26th September 2019 as an Independent, Non-Executive Director. Became Senior Independent Director (SID) on 24th September 2020.

Membership in Board Sub Committees:

Chairman of Board Integrated Risk Management Committee and appointed as Chairman of Board Nomination Committee w.e.f. 01.01.2021. Member of Board Audit Committee, Board Shareholder Relations Committee, Board Strategic Planning Committee, Board Marketing Committee, Board Human Resources & Remuneration Committee, Board Related Party Transaction Review Committee and Board Treasury Committee.

Current Appointments:

Senior Independent Director of Sampath Bank PLC, Non-Executive Director of Capital Alliance Investments (Pvt) Ltd and Research Director at Verite Research (Pvt) Ltd.

Former Appointments:

Commission Member of the Securities & Exchange Commission of Sri Lanka, Director of Sri Lankan Airlines, Research Economist of Institute of Policy Studies of Sri Lanka, Chairman and Board Member of SC Securities (Pvt) Ltd, Board Member of Centre for Poverty Analysis (CEPA), Senior Economist of Hayleys Group and Economic Advisor - Ministry of Finance.

Ms Annika Senanayake

Independent, Non-Executive Director
(*Retired w.e.f. 01.01.2021)

Qualifications, Skills & Experience:

Bachelor of Arts in Management Studies from the University of Nottingham. Heads Corporate Planning for the IWS Holdings Group, in diversified business interests in telecommunications, logistics, media and broadcast, automobiles, aviation, warehousing, food and beverage processing and packaging. Ms Senanayake is CNN's official business representative for Sri Lanka.

Appointed to the Board:

1st January 2012 as an Independent, Non-Executive Director.

Membership in Board Sub Committees:

Chairperson of the Board Nomination Committee. Member of Board Human Resources & Remuneration Committee, Board Strategic Planning Committee, Board IT Committee and Board Marketing Committee.

Current Appointments:

Independent, Non-Executive Director of Sampath Bank PLC*, Director of IWS Holdings (Pvt) Limited and IWS Leisure (Pvt) Limited, Director of RAD Productions (Private) Limited, Scan Furniture (Private) Limited, Trustee - Youth Business Sri Lanka, Ceylon Chamber of Commerce and Ray Wijewardena Charitable Trust.

Mr Ranil Pathirana

Non-Independent, Non-Executive Director
(*Retired w.e.f. 01.01.2021)

Qualifications, Skills & Experience:

Extensive experience in finance and management in financial, apparel and energy sectors. Fellow member of the Chartered Institute of Management Accountants, UK (FCMA) and holds a Bachelor of Commerce degree from the University of Sri Jayewardenepura.

Appointed to the Board:

1st January 2012 as a Non-Executive Director and became an Independent, Non-Executive Director on 31st January 2015. Became a Non-Independent, Non-Executive Director on 18th August 2020.

Membership in Board Sub Committees:

Member of Board Audit Committee, Board Strategic Planning Committee and Board Capital Planning Committee.

Current Appointments:

Non-Independent, Non-Executive Director of Sampath Bank PLC*, Managing Director of Hirdaramani International Exports (Pvt) Ltd. Director of Hirdaramani Apparel Holdings (Pvt) Ltd, Hirdaramani Investment Holdings (Pvt) Ltd, Hirdaramani Leisure Holdings (Pvt) Ltd, Rosewood (Pvt) Ltd, Hirdaramani Industries (Pvt) Ltd, Ceylon Knit Trend (Pvt) Ltd, Hirdaramani (Pvt) Ltd, HI Fashion Holdings (Pvt) Ltd and Union Residencies (Pvt) Ltd. Non-Executive Director of Windforce (Pvt) Ltd, Renewgen (Pvt) Ltd, Star Packaging (Pvt) Ltd, Beira Brush (Pvt) Ltd, Alumex (Pvt) Ltd, BPPL Holdings PLC, ODEL PLC, Ambeon Capital PLC and Ceylon Hotels Corporation PLC.

Former Appointments:

Chief Executive Officer of Vanik Bangladesh Securities, Assistant Vice President of Vanik Incorporation, Director of Hayleys MGT Knitting PLC, Hayleys PLC and Nirmalapura Windpower (Pvt) Ltd.

BOARD OF DIRECTORS

Mr Dilip de S Wijeyeratne

Independent, Non-Executive Director

Qualifications, Skills & Experience:

An Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA), Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA) and a Graduate Member of the Australian Institute of Company Directors (GAICD). A senior finance/banking professional and a principal consultant who provides advisory services to companies globally to expand operations within Middle East, Sri Lanka and Australia.

Appointed to the Board:

13th November 2018 as a Non-Independent, Non-Executive Director and became an Independent Director with effect from 8th August 2019.

Membership of Board Sub-Committees:

Chairman of Board Audit Committee and Board Treasury Committee. Member of Board Integrated Risk Management Committee, Board Human Resources & Remuneration Committee, Board Related Party Transactions Review Committee, Board Strategic Planning Committee and Board Capital Planning Committee.

Current Appointments:

Independent, Non-Executive Director of Sampath Bank PLC, Non-Executive Director of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Hayleys Fibre PLC and CEO/MD of Third Wave International W.L.L. Bahrain.

Former Appointments:

Head of Finance and Global Market Operations of HSBC Group Bahrain offices and Board member of the Bahrain Asian Traders' Committee of Bahrain Chamber of Commerce.

Ms Aroshi Nanayakkara

Independent, Non-Executive Director

Qualifications, Skills & Experience:

Holds a BSc. in Management from the Massachusetts Institute of Technology (MIT) USA and a MSc. in Management from the London School of Economics (LSE) UK. Holds the ACMA and CGMA qualifications from the Chartered Institute of Management Accountants (CIMA) UK and featured as a 'Game Changer' of CIMA.

A dynamic leader in the fields of Strategic Planning, HR and Risk Management having gathered extensive experience through her 20 plus years in prominent companies.

Commenced her career as a Corporate Banker, first at ABN AMRO Bank NV and later at Deutsche Bank AG Sri Lanka. Moved from banking into the HR sphere by joining Eagle Insurance and the Delmege Group of Companies. She was Group Director Human Resource Development at Delmege while also serving on the Board of Delmege Interior Décor (Pvt) Ltd. Later joined the Brandix Group as Chief Risk Officer overlooking the functions of internal audit and compliance and finally, as CEO of Brandix Hangers (Pvt) Ltd.

Appointed to the Board:

30th May 2019 as a Non-Independent, Non-Executive Director and became an Independent Director with effect from 27th June 2019.

Membership of Board Sub-Committees:

Chairperson of Board Marketing Committee and Board Human Resources & Remuneration Committee. Member of Board Credit Committee, Board Strategic Planning Committee, Board IT Committee, Board Treasury Committee and Board Shareholder Relations Committee.

Current Appointments:

Independent, Non-Executive Director of Sampath Bank PLC, CEO of the Global Consulting Company, Vice Chairperson

& Board Director of Sri Lanka Institute of Directors, Chair of the Women Directors Forum of the Sri Lanka Institute of Directors, President Elect 2021/2022 of the Rotary Club of Colombo, Non-Executive Director of Hela Apparel Holdings (Pvt) Ltd, Hela Clothing (Pvt) Ltd, Foundation Garments (Pvt) Ltd and FDN Sourcing (Pvt) Ltd.

Dr Sanjiva Weerawarana

Independent, Non-Executive Director

Qualifications, Skills & Experience:

Holds a Ph.D. in Computer Science and currently a Director of WSO2 Lanka (Pvt) Ltd and Lanka Software Foundation.

Founder of WSO2 and served as CEO and Chairman respectively.

Worked in IBM Research and focused on innovations in middleware and emerging industry standards. At IBM, he was one of the founders of the Web services platform and he co-authored many Web services specifications, including WSDL, BPEL4WS, WS-Addressing, WS-RF and WS-Eventing.

Committed to open source software development for many years. An elected member of the Apache Software Foundation, the original creator of Apache SOAP and has contributed to Apache Axis, Apache Axis2 and most Apache Web services projects.

In 2003, founded the Lanka Software Foundation (LSF), a non-profit organisation formed with the objective of promoting open source development.

Appointed to the Board:

1st June 2019 as an Independent, Non-Executive Director.

Membership of Board Sub-Committees:

Chairman of Board IT Committee. Member of Board Audit Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee and Board Strategic Planning Committee.

Current Appointments:

Independent, Non-Executive Director of Sampath Bank PLC, CEO/Director of WSO2 and Director of Lanka Software Foundation.

Mr Vajira Kulatilaka

Independent, Non-Executive Director

Qualifications, Skills & Experience:

Mr Vajira Kulatilaka holds a BSc. in Civil Engineering with First Class Honours from the University of Moratuwa and a MSc. in Industrial Engineering and Management from the Asian Institute of Technology, Thailand. He is also a Chartered Financial Analyst (CFA) and has obtained Fellow Membership of the Chartered Institute of Management Accountants, UK.

He counts over 36 years of experience in Banking and Finance and Capital Market operations in Sri Lanka. Mr Kulatilaka served as the Director/CEO of the NDB Investment Banking Cluster, where he was adjudged the Best Investment Banking CEO Sri Lanka in 2014 and 2015 by Global Banking and Finance Review in recognition of his contribution to the investment banking field in Sri Lanka.

Appointed to the Board:

25th June 2020 as an Independent, Non-Executive Director.

Membership of Board Sub-Committees:

Chairman of Board Related Party Transactions Review Committee and Board Credit Committee. Member of Board Human Resources & Remuneration Committee, Board Strategic Planning Committee, Board IT Committee, Board Treasury Committee and Board Capital Planning Committee.

Current Appointments:

Independent, Non-Executive Director of Sampath Bank PLC and Printcare PLC.

Former Appointments:

Chairman of the Colombo Stock Exchange, Central Depository System (Pvt) Ltd, South Asian Federation of Exchanges (SAFE) and

also as a Council Member of the University of Moratuwa. Director of Resus Energy PLC, Director/CEO of the NDB Capital Holdings Ltd and Executive Director of NDB Zephyr Partners (Pvt) Ltd, NDB Zephyr Partners (Pvt) Ltd - Mauritius, NDB Wealth Management Ltd, NDB Securities (Pvt) Ltd, NDB Capital Ltd - Bangladesh and NDB Investment Bank.

Mrs Keshini Jayawardena

Independent, Non-Executive Director

Qualifications, Skills & Experience:

Mrs Keshini Jayawardena holds a BSc. (Econ) in International Relations from the London School of Economics and Political Science and is a Solicitor of the Supreme Court of England and Wales. She counts over 29 years of experience in Banking with local and foreign bank exposure. Mrs Jayawardena has a strong understanding of the drivers and enablers for an operational excellence culture in organisations. She presently works as a facilitator in the learning and development field specialising in leadership, management skills, diversity and inclusion.

Appointed to the Board:

1st October 2020 as an Independent, Non-Executive Director.

Membership of Board Sub-Committees:

Member of Board Strategic Planning Committee, Board IT Committee, Board Credit Committee and Board Shareholder Relations Committee. Appointed as a Member of Board Nomination Committee w.e.f. 27.01.2021.

Current Appointments:

Independent, Non-Executive Director of Sampath Bank PLC. Associate Consultant at Bridge Partnership, The Centre for Inclusive Leadership and Kinetik Solutions (UK based consultancies).

Former Appointments:

DGM Leasing, DGM Retail and SME Banking, Chief Operations Officer of Nations Trust Bank and Head of Operations of HSBC Sri Lanka.

Mr Ajantha de Vas Gunasekara

Executive Director

Group Chief Financial Officer**Qualifications, Skills & Experience:**

Mr Gunasekara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Certified Management Accountants of Sri Lanka. He counts over 27 years of post-qualifying experience which includes 20 years at senior corporate management level in Insurance & Banking sectors. He is working at Sampath Bank PLC since July 2013 and currently holds the position of Group Chief Financial Officer.

Appointed to the Board:

29th October 2020 as an Executive Director.

Membership of Board Sub-Committees:

Member of Board Strategic Planning Committee.

Current Appointments:

Executive Director and Group Chief Financial Officer of Sampath Bank PLC.

Former Appointments:

Director of Sri Lanka Accounting and Auditing Standard Monitoring Board (SLAASMB), Chief Financial Officer of Hatton National Bank PLC, General Manager Finance & Corporate Services of HNB Assurance PLC, Finance Manager of Asian Alliance Insurance PLC and Accountant of James Finlay & Company (Colombo) Ltd.

CORPORATE MANAGEMENT



Mr Nanda Fernando
Managing Director



Mr Ajantha de Vas Gunasekara
Executive Director/
Group Chief Financial Officer



Mr Tharaka Ranwala
Senior Deputy General Manager -
Operations/Group Chief
Marketing Officer



Mrs Shashi Kandambi Jassim
Senior Deputy General Manager -
Corporate Credit/Corporate
Digitalisation



Mr Ajith Salgado
Group Chief Information Officer



Mr Manoj Akmeemana
Senior Deputy General Manager -
FCBU/Corporate Finance



Mrs Ayodhya Iddawela Perera
Senior Deputy General Manager -
International Trade &
Credit Control



Mr Thusitha Nakandala
Group Chief Human Resource
Officer



Mr Sanath Abhayaratne
Deputy General Manager -
Deposit Mobilisation



Mr Amal Kirihene
Deputy General Manager -
Credit Administration & Legal



Mr Sanjaya Gunawardena
Group Chief Strategy Officer



Mrs Charitha Jayawickrama
Group Chief Internal Auditor



Mrs Achala Wickremaratne
Group Chief Risk Officer



Mr Deepal De Silva
Deputy General Manager -
Branch Banking



Mr Rajendra Ranasinghe
Assistant General Manager -
Inward Remittance/KPO/BNO



Mr Prasantha De Silva
Assistant General Manager -
Treasury



Mr Sisira Dabare
Group Chief Compliance Officer



Ms Dulsiri Jayasinghe
Assistant General Manager -
FCBU/Corporate Finance



Mr Ananda Wijjitha
Assistant General Manager -
Chief Information Security Officer



Mr Pasan Manukith
Assistant General Manager -
Information Technology



Mr Lasantha Senaratne
Company Secretary



Mr Senaka Hewavitharana
Chief Legal Officer



Mr Shiran Kossinna
Assistant General Manager -
Recoveries



Mr Kusal De Silva
Assistant General Manager -
Operations & Card Centre



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02

MANAGING OUR BUSINESS

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A Million Ideas

A million ideas Sampath Bank is determined to grow and expand upon its capabilities year on year. Today, we are realigning our business plan with a million ideas designed to withstand unprecedented challenges.

CHAIRMAN'S MESSAGE

► GRI - 102-14.23



"The year 2020 compelled us to re-examine our businesses, as we focused on establishing an equilibrium vis-à-vis ensuring employee safety, while ensuring the seamless delivery of services required by our customers."

While we were fortunate to have emerged relatively unscathed from the unexpected turmoil of 2020 due to prudent financial and management discipline, we must be aware that we face a long road ahead in order to maintain the kind of momentum we have achieved in the recent past, in the coming year.

Dear Valued Stakeholders

As we embark on the financial year 2021, we find ourselves at a historic juncture which is likely to define the way banking and business is conducted, which undoubtedly would have an impact not only on Sampath Bank but will also have a significant impact the world over. While we were fortunate to have emerged relatively unscathed from the unexpected turmoil of 2020 due to prudent financial and management discipline, we must be aware that we face a long road ahead in order to maintain the kind of momentum we have achieved in the recent past, in the coming year.

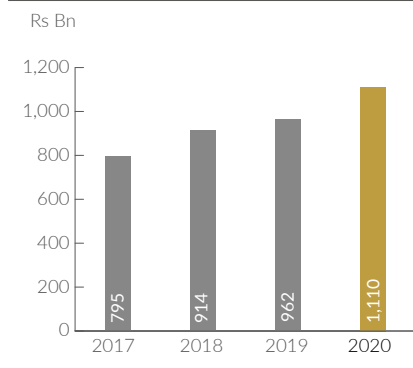
FY 2020 was a hitherto 'unknown quantity' for the banking community, as it was for most industries around the world. The country was in the midst of recovering from the instability of the Easter Sunday bombings and the resultant slowdown of the economy. The banking sector was anticipating a year of growth during the financial year under review, particularly given the political stability that emerged following the presidential and thereafter the parliamentary elections. Regrettably, the COVID-19 pandemic generated a

gamut of challenges which all institutions including your Bank had to face. Thus, 2020 was, in essence, a litmus test, not just for your Bank but for the entire corporate eco-system, as we were forced to re-evaluate our capabilities in order to meet the expectations of customers and stakeholders. The situation compelled us to re-examine our businesses and analyse what we were doing, and how we were doing it as we focused on establishing an equilibrium vis-à-vis ensuring employee safety, while also delivering the services required by our customers.

Banking today is not urban-centric. With branches across the country, our services extend to those around the country thus making even the most remote areas banking-accessible. Difficulties experienced in many rural areas are not appreciated or comprehended by the urban citizen. Our advanced digital platform, which has been Sampath Bank's defining feature for years, was therefore, in large part, instrumental in making this service accessible, smooth and effective during this time of turbulence.

The pandemic will not hinder us from keeping our promise to you, our shareholder and it is with a sense of pride I report that Sampath Bank did not forego any obligations to any stakeholder, least of all, our valued customers and the Sampath Team, who are the lifeblood of the Bank.

Total Assets



Economies in Distress

Although the final position yet remains uncertain, all analyses predict that COVID-19 will be the trigger to the deepest global recession in decades and will, in the near future, cause contractions across most emerging markets and developing economies. As estimated by the IMF's World Economic Outlook, global economic growth in 2020 fell to a negative 4.4% from +2.8% in 2019 and +3.5% in 2018. Thus in many countries, the immediate priority is to alleviate human costs and attenuate the near-term economic losses.

As reported by the Central Bank of Sri Lanka, GDP growth of the country plunged to a negative 1.7% in the first quarter of 2020 from +2.3% in 2019. The Banking Industry's Non-performing loan ratio grew up to 4.9% by end December 2020 from 4.7% as at end December 2019.

Against the Odds

Due to the prevailing situation, Sampath Bank had to curtail many projects envisaged by reason of the lockdown as well as to the restricted work mode, thereafter coupled with an attempt to contain costs during this period of uncertainty. The Bank also followed prudent policies in respect of non-performing loans in order to safeguard asset quality. All these measures resulted in our year end performance being below the originally envisaged target. However, it is encouraging that our actual results achieved for the financial year are in excess of the revised forecast as was projected by the Management during the early days of curfew and lockdowns.

It is noteworthy that, even under the extraordinary conditions we operated, Sampath Bank made history as the youngest bank in Sri Lanka to accumulate a Rs 1 Tn asset base. Our total asset base grew by 15.4% to exceed the trillion mark (Rs 1.1 Tn) as at 31st December 2020, from Rs 962 Bn as at 31st December 2019.

However, the backdrop of lockdowns and restrictions on economic activities and the pressure on Net Interest Margins had an inevitable negative impact on the Bank's financial results for 2020. Our Profit Before Tax (PBT) declined by 27.9% to Rs 11.2 Bn and the Profit After Tax (PAT) declined by 28.0% to Rs 8.0 Bn for the year ended 31st December 2020. Similarly, the Bank's Return on Average Equity (ROE) (after tax) declined from 11.78% as at 31st December 2019 to 7.58% as at 31st December 2020, while our Return on Average Assets (ROA) (before tax) declined to 1.09% during the same period, from 1.66% as at the end of 2019.

Notwithstanding the above, the Board is satisfied with the financial performance of your Bank in light of the many challenges faced. Further details on our financial status are provided in the Financial Capital chapter (pages 59 to 63) of this Annual Report.

We Keep Our Promises

Regardless of the challenges encountered and difficulties faced, we at Sampath have always upheld our responsibilities to our shareholders. This year, a dividend of Rs 11.75 per share was paid out for the year 2019. This had been declared prior to the COVID-19 pandemic and by reason of that, did not attract the restrictions on dividends as was imposed by the Central Bank. The dramatic change in the business environment arising from the pandemic will not hinder us from keeping our promise to you, our shareholder and it is with a sense of pride I report that Sampath Bank did not forego any obligations to any stakeholder, least of all, our valued customers and the Sampath Team, who are the lifeblood of the Bank.

Based on the reactions and feedback received from our customers - corporates, SMEs and individuals - we are confident that Sampath Bank responded effectively and promptly to customer needs during this time of crisis. Despite being compelled to continue operations under extremely

CHAIRMAN'S MESSAGE

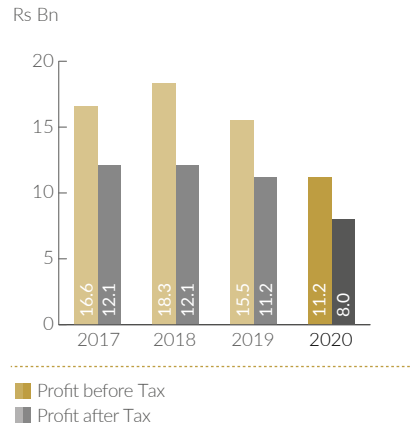
We at Sampath wear our title as a corporate steward with pride and honour and have always deemed it our responsibility to continue our social and environmental obligations.

trying circumstances, we were compelled to think out of the box in order to fulfil our customers' needs. Being harbingers of change is not unusual for us as is evinced by the partnership we inked with PickMe to deliver cash to customer homes. This service was particularly availed of by customers who were senior citizens and those most vulnerable to the pandemic. We are ever grateful to our Team who worked around the clock despite curfews, lockdowns and working from home, to ensure the Bank's seamless operations.

We at Sampath wear our title as a corporate steward with pride and honour and have always deemed it our responsibility to continue our social and environmental obligations.

Signifying our corporate citizenship during 2020, our "Wewata Jeewayak" tank restoration project ensured the restoration of the Kindagalla Tank in Bibile and the Nalawagama Tank in Nochchiyagama, all of which are essential for the provision of water to farming communities. Due to restrictions of physical movement and community gatherings, we used our technological prowess to migrate the Sampath Saviya Entrepreneurship Development Programme online, where webinars reached out to Rajarata University undergraduates and SMEs, offering a series of workshops on operating during a crisis.

Profit before Tax & Profit after Tax



We also continued our annual internship programme to augment knowledge gaining opportunities for young people and the Hope for Life initiative in collaboration with Ceylon Biscuits Limited and WSO2, where we presented a fully equipped PCR laboratory to the Army Hospital in Colombo. This state of the art laboratory valued at Rs 32 Mn, enhances the country's testing capacity by adding a testing capacity of 600 samples daily.

As in the past 26 years, our contribution to the Wildlife and Nature Protection Society (WNPS) continued, adding momentum to our environmental focus. We allocate Rs 5/- from every new Sampath Bank debit card issued, to the WNPS. Sampath Bank also continues its long term undertaking of lending support to Biodiversity Sri Lanka's efforts to restore ten hectares of degraded forest land in the Halgahawala forest reserve in Opatha located in the Galle district.

Ready to Face the Future


There have been significant changes to the Board during the year, in compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance, which specifies that the service of a Director excluding Executive Directors be limited to nine years or until the seventieth birthday, whichever is earlier.

I was inducted to the Board on 18th August 2020 and was appointed Chairman of your Bank on the retirement of Prof Malik Ranasinghe on the 30th of August 2020. In September, Rushanka Silva was appointed Deputy Chairman, on the retirement of Deputy Chairperson Dhara Wijeyatilake, who also retired on the 30th of August 2020, while Deshal de Mel was appointed Senior Independent Director in September. Vajira Kulatilaka and Keshini Jayawardena were appointed Independent Non-Executive Directors in June and October respectively, while Group CFO Ajantha de Vas Gunasekara joined the Board as an Executive Director in October. I am confident that this honour roll of expert luminaries will augment Sampath's known tenacity to march with strength, stability and prescience to the very pinnacle of banking in Sri Lanka.


In essence, Sampath Bank's objective is to be the best at what we do, in every aspect of banking - be it customer services, consumer and corporate banking, treasury or digital transformation. We are confident that other benefits will accrue and permeate as a natural outcome of our focused continuous improvement, as we strive towards this outcome of being the best among the best in the country.

Outlook and Way Forward

As I pen this message, the true economic effect of COVID-19 is yet ambiguous, particularly with regard to non-performing assets, as the moratorium continues to remain in force. At Sampath, we continue to actively engage with our customers in order to ensure the uninterrupted operation of their businesses, once the moratorium is terminated. The economic growth in the year 2021, and perhaps even in 2022, will depend on the evolution of the pandemic in Sri Lanka and the rest of the world. The future outlook for the banking industry will also be determined by the same.



6.08%
Dividend Yield



39.2%
Dividend Payout

A key takeaway from among the numerous lessons the banking industry as a whole learned during the pandemic is that banking as we know it, may not be the norm for the foreseeable future. Many of our customers' businesses will be under pressure once the moratorium is lifted. Particular industries are also more vulnerable and therefore likely to feel a more significant impact. However, we are encouraged by the fact that the Government is focused on generating growth and has announced a business-friendly budget. The Central Bank of Sri Lanka, in its roadmap for 2021 has pledged to hold interest rates at a single digit and is hopeful of credit growth in the range of 14%.

A large part of our strategy moving forward, will focus on the lessons learned during 2020 and will be formulated with particular emphasis on growth, costs and risks. With the vaccines slated for distribution and Sri Lankan borders opening for tourism and international business, growth industries are expected to rebound, albeit with caution. We will naturally posit an extensive scrutiny of our operations, examining costs, evaluating risks and re-focusing on astute lending. Our Board Integrated Risk Management Committee, which had hitherto adopted a fairly prudent approach towards exposure to different risk groups, will continue to monitor exposure levels with regard to different industries in order to mitigate any potential risks. Thus far however, we have not observed any significant deviation in risk profiles during the time of the pandemic.

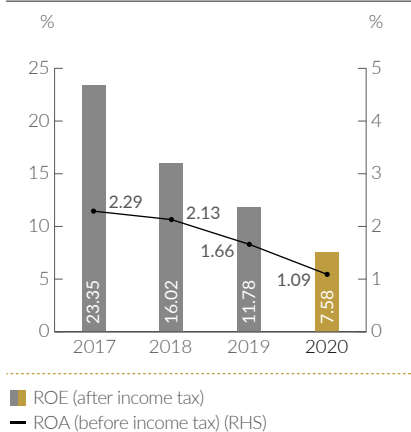
Process optimisation across the full range of our activities is vital and has prompted us to develop strategies to harness and leverage on group synergies within the Sampath Group, including our leasing and finance subsidiary Siyapatha, IT subsidiary Sampath Information Technology Solutions which focuses on

In essence, Sampath Bank's objective is to be the best at what we do, in every aspect of banking - be it customer services, consumer and corporate banking, treasury or digital transformation. We are confident that other benefits will accrue and permeate as a natural outcome of our focused continuous improvement, as we strive towards this outcome of being the best among the best in the country.

digital banking transformation and stock broking subsidiary, SC Securities. Digital transformation will continue to be a key component of our strategic journey and our online banking platforms, Vishwa Retail and Vishwa Corporate plus the Sampath Bank mobile app and WePay app will gain renewed vigour. We have always encouraged our tenet of 'banking at your fingertips' and with digital banking transformation driving our future, we do believe that customer experiences will improve across multi-dimensional genres, while cost optimisation through process optimisation will add value to our forward journey.

Despite working through some of the most challenging times in history, Sampath has proved that our strong persona of resilience, robustness and agility is the

ROE & ROA



CHAIRMAN'S MESSAGE



formula for always being a step ahead in meeting customer aspirations. The pandemic made it very clear that our strategy of digitalisation and innovation was the right direction for the Bank. As we face yet another year of uncertainty, I do have immense confidence that your Bank will continue being a steadfast beacon of strength for our country and its people.

Appreciations

As stated elsewhere in my report, your Board now consists of several new members who were inducted during the current financial year. Sanjiva Senanayake who served the Bank for eight years, first as an Independent Director and then as a Senior Director, retired in April 2020 having reached his Seventieth birthday. Saumya Amarasekera PC, the first female Deputy Chairperson of the Bank, retired in June 2020. Dhara Wijayatilake, who succeeded Saumya Amarasekera as the Deputy Chairperson, also retired in August 2020. Chairman Prof Malik Ranasinghe retired on the 30th of August 2020 and Ranil Pathirana and Annika Senanayake retired on the 31st of December 2020. All of these retirements, except that of Saumya Amarasekera, were on account of these Directors reaching the nine-year threshold of serving on the Board of the Bank or having reached their Seventieth birthday.

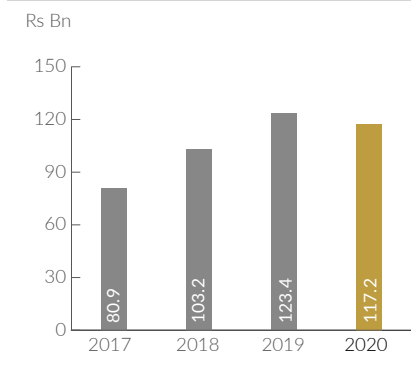
It is with immense gratitude that I record the invaluable contribution made by the Directors who retired during this year. They have had and displayed a deep and abiding interest in every aspect of Sampath Bank's activities during their time on the Board and have been

instrumental in driving the growth as well as the profitability of the Bank, in order for Sampath to be what it is today. In particular, I wish to record the Board's appreciation of Prof Malik Ranasinghe who led the Bank during the turbulence surrounding the Easter Sunday attacks in 2019, as well as dealt with many of the challenges posed by the COVID-19 pandemic and the first lockdown. His contribution to the Bank has been immeasurable. Their departure is a loss not just felt by the Board, but the Management too in the years to come.

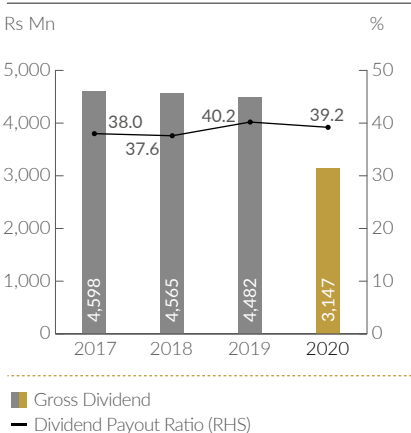
However, as also adverted elsewhere in the report, we have been fortunate to induct onto the Board, Directors of the calibre of Vajira Kulatilake, formerly the Director/CEO of the NDB Investment Banking cluster and Keshini Jayawardena a banker of repute from HSBC Sri Lanka and former COO of Nations Trust Bank. We also welcome our Group CFO, Ajantha de Vas Gunasekara to the Board. I am confident that, together with the other members of the Board, those who were inducted during the year 2020 will augment the diverse spheres of knowledge and expertise imperative for a Bank of this calibre and together with the Management, will take your Bank forward to meet the aspirations of our stakeholders.

During my short stint as Chairman of the Bank, I am truly grateful to my Board of Directors for their timely and judicious counsel in navigating this year of extraordinary uncertainties and the Managing Director and the Corporate Management for their unwavering dedication towards meeting our goals.

Total Capital (Tier I + Tier II)



Gross Dividend & Dividend Payout Ratio



Team Sampath deserves praise for their efforts in 2020, without which we could not have made it through the year. As always, I am grateful to our shareholders for their understanding and continued confidence in us.

Thank you to each of our stakeholders, especially our customers for being a true partner in this journey. The Sampath Bank Team and I will do our utmost to support you in every way possible as we move forward together.

I would also like to express my appreciation to the Central Bank of Sri Lanka, the Monetary Board, Securities and Exchange Commission, Colombo Stock Exchange, and the Ministry of Finance for their support during this time of uncertainty.



HARSHA AMARASEKERA
Chairman

Colombo, Sri Lanka
15th February 2021

Thank you to each of our stakeholders, especially our customers for being a true partner in this journey. The Sampath Bank Team and I will do our utmost to support you in every way possible as we move forward together.

MANAGING DIRECTOR'S REVIEW

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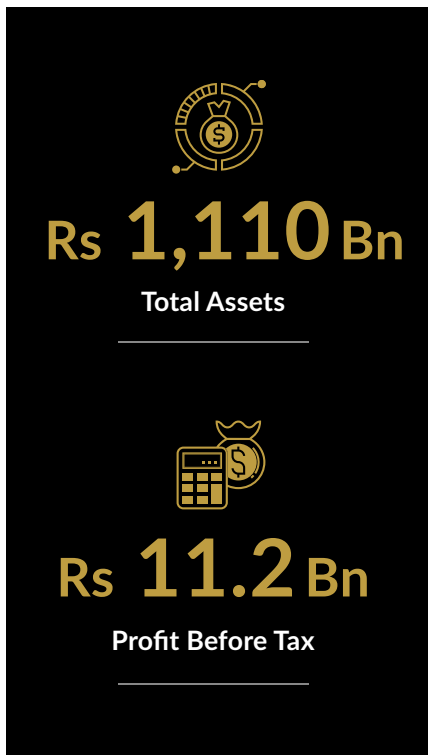
"The Bank's asset base reached Rs 1.1 Tn as at 31st December 2020, thus making Sampath Bank the first bank in Sri Lanka to achieve the historical One Trillion Rupee asset base milestone in just over three decades."

I must commend the swift action taken by the CBSL during this unprecedented disruption. In particular, the Saubhagya COVID-19 Renaissance Facility and the Debt Moratorium Scheme, which I believe went a long way in easing the burden of COVID-19 affected businesses and individuals.

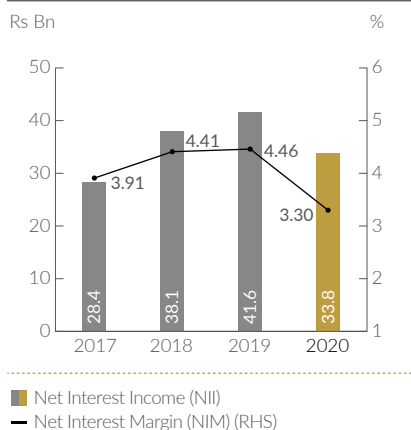
After leaving behind what was perhaps the most challenging year in the country's post-war history, 2020 was expected to be the year in which Sri Lanka would overcome its economic woes and bounce back firmly to stake its claim as one of the fastest emerging economies of South Asia. It was with this sense of positivity and optimism that I, like countless other Sri Lankans embraced the dawn of 2020.

Regrettably however, this enthusiasm was short-lived as Sri Lanka together with the rest of the world began grappling with the complexities brought on by the COVID-19 pandemic. Needless to say, the social and economic impact of COVID-19 was catastrophic and unlike anything else we have seen before. In addition to the toll on human life and livelihoods, the pandemic which came in waves throughout 2020 has been responsible for causing widespread chaos across industry, commerce, global trade and equity markets, ultimately leading to what is now feared to be the deepest recession the world has seen in over a century.

While I do acknowledge that the COVID-19 first wave was relatively well managed in Sri Lanka thanks to the 2-month island-wide lockdown, I believe this was the turning point for the country's economy. With the progress made earlier in the year negated by the distressing lull in economic activity in the second quarter and the lack of visible improvement thereafter, Sri Lanka's economy is expected to have contracted by 4% in 2020. That being said, I must commend the swift action taken by the CBSL during this unprecedented disruption. In particular, the Saubhagya COVID-19 Renaissance Facility and the Debt Moratorium Scheme, which I believe went a long way in easing the burden of COVID-19 affected businesses and individuals. Other measures including the announcement of import restrictions, policy interest rate cuts and steps taken to lower the SRR for licensed commercial banks as well as the CBSL's involvement in the domestic foreign exchange market were all intended to give the local economy a much needed boost.



NII & NIM



Caught in the crosshairs of the pandemic-induced economic slowdown, the local banking industry experienced an exceptionally tough year, marked by sluggish credit demand from the private sector, elevated credit risk and declining profitability.

Sampath Bank too was in no way immune to the challenges arising from the pandemic, but I must admit we were able to manage the implications quite well thanks to the Triple Transformation 2020 (TT2020) agenda. You may recall in my 2019 review, I mentioned the work we were putting in at the time with the help of a specialist consultant to develop the TT2020 agenda as part of a long term strategy to transform three core areas: Business, Technology and People. If I am to elaborate, I would say the TT2020 is all about establishing detailed strategies for all 50+ critical business units and operational functions in order to build overall resilience and create a platform for the Bank to scale up over the next 3 - 5 years. Having begun implementing the TT2020 agenda from the start of the year, we were well into the first phase when the pandemic hit the country in March 2020. During these early months of the TT2020 roll out, our priority was to augment our digital capability. This systematic approach served us well later in the year, for it is without a doubt the most critical tool that helped Sampath Bank to overcome the challenges encountered throughout 2020.

Reaffirming Our Financial Position

Sampath Bank recorded a profit before tax (PBT) of Rs 11.2 Bn and a profit after tax (PAT) of Rs 8.0 Bn for the year ended 31st December 2020. These are notable achievements given the government-led economic stimulus packages bringing the pressure on the Bank's Net Interest Margins (NIM), saw the Bank's net interest income slip to Rs 33.8 Bn in the year under review, a decline of 18.6% from the figure tabled in the previous financial year. The drop is also partly due to offsetting the "Modification loss" of Rs 3.1 Bn on

account of the debt moratorium phase I, against the interest income for the year, in line with accounting standards.

Our ability to generate fee-based income too was impacted by the weak economic environment, especially fees earned through credit and operations related activities. To add to this, certain regulatory measures along with the Bank's own decisions to suspend or refund certain charges also adversely affected the Bank's fee income for 2020. However, I am happy to report that fees generated through electronic channels and digital platforms recorded a robust increase in 2020, as a majority of our customers began migrating to digital channels during the lockdown period. More importantly, this trend appears to have continued even after the lockdown was lifted as evinced by the month-on-month increase in transaction volumes that are being reported even to date.

It is also encouraging to see that, operating expenses decreased by 1.3% year-on-year, thanks to strict cost management measures implemented at the onset of the pandemic itself in March 2020. The removal of Nations Building Tax (NBT) and Debt Repayment Levy (DRL) with effect from December 2019 and January 2020 respectively, proved to be another positive which helped to reduce the taxes on financial services by 53.1% compared to 2019.

Nonetheless, the fact that the Bank's NIM remained under strain for much of the year, owing to interest rate caps and other regulatory measures, and the modification loss on account of COVID -19 debt moratorium phase I mentioned above, had a bearing on the Bank's overall performance in 2020.

In a year fraught with many challenges, I am indeed proud to announce that Sampath Bank's asset base crossed the landmark Rs 1 Tn during 2020. Growing by 15.4%, from Rs 962 Bn as at end December 2019, the Bank's asset base

MANAGING DIRECTOR'S REVIEW



reached Rs 1.1 Tn as at 31st December 2020, thus making Sampath Bank the first bank in Sri Lanka to achieve the historical One Trillion Rupees asset base milestone in just over three decades.

On the asset quality side, we did experience a marginal improvement in the Bank's NPL ratio from 6.37% in 2019 to 6.30% in 2020. It is important to note that a significant amount of impairment provision has been recognised in 2020 as an allowance for overlay to capture expected credit losses.

The Bank's total deposit base reached Rs 886.9 Bn as at the reporting date, reflecting an increase of 23.5% over the previous year, while our CASA ratio which stood at 35.2% as at 31st December 2019 increased to 39.3% by 31st December 2020. The fact that term deposits and savings have both grown significantly despite the low rate environment, I believe speaks volumes about the public trust and confidence in the Sampath brand.

I am also pleased to report that the Bank remained well capitalised and sufficiently liquid throughout 2020. While the SRR reduction early on in the year did give rise to a temporary excess liquidity situation, this was well managed and effectively brought under control by mid-2020.

Helping Customers to Tide Over Difficult Times

With the pandemic seemingly affecting almost all sectors of the economy, we saw many of our corporate and SME customers facing undue pressure. Global supply chain disruptions due to border closures and restrictions on global freight and cargo movements affected the supply of raw material which had a bearing on exporters, particularly the apparel manufacturing sector. It goes without saying that the trading and retail businesses were left to bear the brunt of the government sanctioned import restrictions, while the closure of the country's airport in March 2020 along with global travel restrictions were behind the collapse of Sri Lanka's tourism sector businesses. Despite the relief measures taken by the government to ease the cash flow pressure on the construction sector, many construction sector businesses remained under stress as key income sources dried up.

To prevent our customers from caving under the strain of these economic woes, we initiated proactive efforts to support eligible corporates and SMEs to access the government-led relief measures such as the Saubhagya COVID-19 Renaissance Facility offered at a concessionary rate of 4% and the debt moratorium scheme.

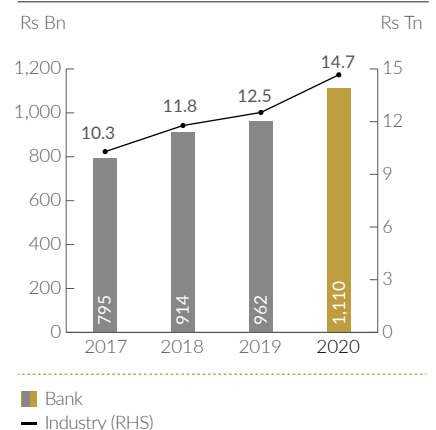
Keen to play its part in supporting Sri Lanka's post-pandemic economic recovery, Sampath Bank went beyond the regulatory mandated relief measures and mapped out our own relief efforts under the theme "Revive Sri Lanka". Our focus with this initiative was to give the SME sector the opportunity to reignite the country's economic recovery. The "Revive Sri Lanka" initiative was kicked off in mid-2020 with the launch of the "Sampath Diriya", a Bank-funded special loan scheme to enable manufacturing and export related SMEs to access funding at a concessionary interest rate. To complement these efforts,

we also launched "Evolve", an e-commerce platform for small and medium sized businesses.

Looking for other ways to support our customers, we acted in an advisory capacity to help them manage their day-to-day cash flows and plan out future strategy. Enabling our clients to carry out their business operations during the lockdown period was another one of our priorities, which led to selected branches being kept open for a limited number of hours in order to accommodate supplier payments and customs duty settlements etc. For our retail customers, we began offering a new three-month Gold Loan product at a significantly low interest rate to enable them to meet their urgent cash requirements, while both SMEs and self-employed individuals were granted limited time relief on the repayments of leasing facilities. In light of the contentious economic climate, we extended a series of temporary relief measures to credit card customers as well during the months of April and May 2020 and also waived off late payment charges until 30th September 2020.

In parallel, we made a conscious effort to encourage both corporate clients and retail customers to migrate to digital platforms to enable them to manage their banking needs without any disruptions.

Asset Base - Bank & Industry



We made some giant strides in our digital journey in 2020, as we took the first steps towards creating an Omni-channel environment that would provide seamless connectivity across multiple platforms.

Creating a Digital Avenue to Help Customers to Adapt to the New Normal

As COVID-19 began affecting life as we know it, it became abundantly clear that digital technology will play a vital role in adapting to the new normal. It fills me with a deep sense of pride to note that Sampath Bank has a head start in this arena. Having embarked on this digital journey well before many of its peers, Sampath Bank has time and again proven itself as an agent of change at the forefront of the digital banking revolution in Sri Lanka.

We made some giant strides in our digital journey in 2020, as we took the first steps towards creating an Omni-channel environment that would provide seamless connectivity across multiple platforms. The main goal here was to give customers an even better banking experience than that they would otherwise have experienced through our physical channels. Notable initiatives for the year included the launch of the “Cash-in-a-flash” delivery service in partnership with the PickMe delivery service and the Mobile ATM service, both launched in the midst of the 2-month island-wide lockdown. With the government issuing stay-at-home orders for the general public, the “Doorstep Banking” facility was rolled out enabling customers to place savings and fixed

deposit accounts without having to visit a branch. At the same time, we made several of our key products accessible digitally, starting with the “Samachara” senior citizens loan scheme. We also proceeded to augment the transactional capability of Sampath Vishwa (Retail and Corporate) platforms to allow customers to perform their banking needs at anytime from anywhere.

The fact that we were able to convert over 96% of the routine transactions to digital channels during the initial lockdown period, I believe is a proof of the versatility of our digital initiatives in meeting the customers’ expectations. It is even more heartening to see the trend continuing even today with majority of routine transactions still being done digitally.

Reorienting Business Fundamentals in Response to COVID-19 Challenges

Facing a situation where there were so many unknown variables, we turned our attention towards reorienting our business fundamentals and took action on multiple fronts.

Seeing more and more Sampath Bank customers migrating to digital channels amidst the COVID-19 pandemic, highlighted the importance of ensuring a safe and secure online banking experience. In response, we introduced the mandatory OTP (one-time-password) for the safety of Sampath Vishwa (internet banking) users. Moreover, to minimise the downtime across all digital banking platforms especially given the high transaction load during the COVID-19 lockdown, we invested in a load balancing software solution and made arrangements to shift our second Data Center to a SLT’s tier 3 Data Center, which operates as per the international standards and global best practices for end to end redundancy protocols.

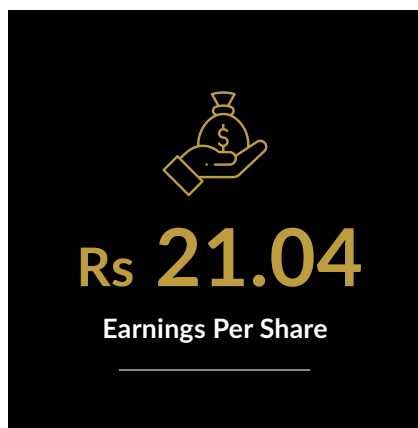
Measures to build overall resilience and help the Bank to manage the long term impacts of COVID-19, saw Risk Management Systems being further strengthened with the implementation of sophisticated Early Warning Systems along with a series of machine learning tools for the detection of potential non-performing advances. BCP controls were also tightened to take cognisance of the varying risk profiles of different branches based on isolation orders and mobility restrictions imposed by the government to control the spread of the virus. In addition, after a comprehensive Bank-wide vulnerability assessment, it was decided to further strengthen the independent Disaster Recovery (DR) site framework currently in place.

Meanwhile, using the insights gained from our digital conversion process, we undertook a broad-based study to determine how best we could streamline our product development process in order to fast track the release of timely and relevant products to meet the needs of the market.

Compelled to abide by pandemic-related restrictions, we were thrust into a scenario where a majority of our workforce was working from home. For the first time in the Bank’s 33+ year history, we were required to rethink our standard work practices. This meant making drastic changes to ensure our teams can continue to perform their assigned job roles. We granted selected employees access to the Bank’s main servers and implemented the Microsoft 365 suite to give all employees the ability to manage their work streams. Our learning and development activities too were fully digitised. We invested in Vidvan - a new advanced Learning Management System (LMS) to support the Sampath Learning Academy to move all learning tools to an online platform.

MANAGING DIRECTOR'S REVIEW

Undeterred by the current challenges, we continued with ongoing human capital development activities. Several of our employee engagement activities were conducted virtually and our training activities were moved to digital platforms as well.



Yet another example of how we managed to overcome the current limitations, was the virtual Annual General Meeting (AGM). Making history as the first organisation in Sri Lanka to host a fully virtual AGM, the Sampath Bank AGM for the FY 2019 was held on 2nd June 2020, which saw shareholders connecting virtually to participate in the AGM proceedings.

Protecting Our Employees at All Times

With the pandemic progressively worsening and bringing fresh worries regarding its health risks, the safety of our employees took on a whole new meaning. To add to this, banking operations were declared an essential service as per the COVID-19 emergency laws, and our employees deemed essential workers.

In hindsight, I realise that the comprehensive action we took at the onset of the global outbreak in early 2020 was the key to ensuring that none of our employees were adversely affected by COVID-19 either directly or indirectly. The COVID-19 Action Committee serving as the main liaison between the Bank management and the health authorities was instrumental in the dissemination and timely communication of COVID-19 related information to Team Sampath. Moreover, the implementation of stringent safety precautions, detailed work schedules drawn up for branch teams and corporate management, special transport arrangement and the COVID-19 monitoring systems that were introduced during the course of the year have proven to be highly effective in helping staff to cope with the situation.

Might I add that we were fully committed to safeguarding our employees' financial wellbeing as well. Therefore, despite the challenges on the business front, no pay cuts or retrenchments were made during 2020. In fact, all confirmed employees of Sampath Bank were granted a salary increment in 2020. We also made arrangements to grant the full entitlements earned under the Performance-based bonus scheme for the year 2019. Moreover, it was decided to refrain from deducting staff loan installments (capital + interest) in the month of April 2020, while permanent team members in the grades of Junior Executives and below were granted a salary advance to support them in meeting any unexpected expenses during the initial lockdown.

Undeterred by the current challenges, we continued with ongoing human capital development activities. Several of our employee engagement activities were conducted virtually and our training activities were moved to digital platforms as well. Following the launch of our new LMS, a new training plan - "Stride 2020" was rolled out to focus on

building staff capacity in four core areas: Credit Competency, Digital Channels, Leadership Development and Customer Service. Making some notable headway in enhancing our HR policy framework, the scope of the existing grievance handling policy was expanded to include a formal methodology to address grievances that may arise as a result of the breach of the principle of equality. In doing so, it is hoped that the updated Grievance Handling Policy will pave the way for a more inclusive corporate culture that will enhance employee motivation and strengthen employee relations.

Demonstrating Our Commitment to the Wider Community

Admittedly this has been a tough year for us all, but more so for the rural farmers whose livelihoods were threatened by district-wise mobility limitations and other COVID-19 related restrictions. It is why we felt, it was vital that we continue with the "Wewata Jeewayak" tank restoration programme, our flagship community initiative. We undertook two major tank restoration projects in 2020 - the Kindagalla tank, located in the Kokunnewa area of Bibile in the Monaragala district and the Nalawagama tank located in Nalawa village, Nochchiyagama in the Anuradhapura district. Including the two latest projects, the "Wewata Jeewayak" tank restoration programme has to date been responsible for the restoration of a total of 9 tanks since first being launched in 2001.

While we were unable to conduct the "Sampath Saviya" Entrepreneur Development workshops in the usual manner, we did however change the format in line with the current limitations and conducted several webinars for selected groups including university undergraduates and SMEs.

Meanwhile in an effort to boost the country's COVID-19 testing capacity, Sampath Bank tied up with the CBL

Group and WSO2 to jointly donate a fully equipped PCR laboratory to the Army Hospital in Colombo. The donation was made under the "Hope for Life" project, a Sampath Bank initiative dedicated towards uplifting public healthcare standards in Sri Lanka.

Outlook and Prospects

While economists and analysts suggest that the global recession hit its peak in 2020, there is no denying that turbulent times lie ahead. However, there are some positives in the horizon for it appears that medium term prospects for the global economy will be predicted on how advanced economies manage the vaccine roll out over the coming months.

From a country standpoint, it is imperative that Sri Lanka does not dwell on missed opportunities and instead moves swiftly to catch up for lost momentum. I believe the lessons learned from the setbacks in 2020 will prove to be a good starting point from which the country can begin adjusting to the new normal, while greater political stability and the growth-conducive policy framework promulgated by the government will provide the impetus for key sectors of the economy to grow.

It is an irrefutable fact that the banking sector will be one of the main architects responsible for the country's economic resurgence. I wish to reiterate that Sampath Bank is fully geared to take on the challenge. We will leverage on our solid foundations, our long standing reputation as one of the nation's leading Banks, our strong island-wide footprint, our leadership in the digital banking sphere, the knowledge and skills of our people, as well as group synergies in seeking out ever more dynamic solutions to help our customers tackle the challenges that lie ahead. I am confident that the strategies we have set out for this purpose will be a harbinger of good fortune for all Sri Lankans and herald a new era of growth and prosperity for the country as a whole in the years ahead.

Appreciations

I would like to express my sincere gratitude to every single of our customers for their patronage. The trust and confidence you have placed in Sampath Bank over the years and especially in these difficult times has inspired us to aim for bigger and better things in the future.

To Team Sampath, I am profoundly grateful for your commitment towards Sampath Bank in what has been one of the most challenging periods in our 33+ year history. I am humbled by the sheer dedication and tenacity with which you continued to work despite the numerous pandemic-related constraints.

I wish to place on record my appreciation of our corporate management team for going above and beyond to mitigate the COVID-19 impact on the Bank, all while executing our strategy and honouring the Bank's commitments to stakeholders. I am indeed proud to serve alongside you.

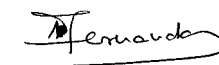
I thank the Chairman and my colleagues on the Board, including both retired and new Directors who joined the Board during the year, for their wisdom and oversight that was instrumental in helping Sampath Bank to navigate the storm that was COVID-19.

Many thanks also to the officials at the Central Bank of Sri Lanka, The Colombo Stock Exchange, The Securities and Exchange Commission and the Ministry of Finance for the support provided over the years.

A special word of thanks to the Ministry of Health, the tri-forces and PHIs for the advice and guidance to Sampath Bank as well as their tireless efforts to ensure the safety of all citizens of the country.

To our suppliers and service providers - thank you for working with us to overcome the challenges we faced in 2020. I also wish to take this opportunity to thank MTI Consulting for the assistance provided in developing the "TT2020" agenda.

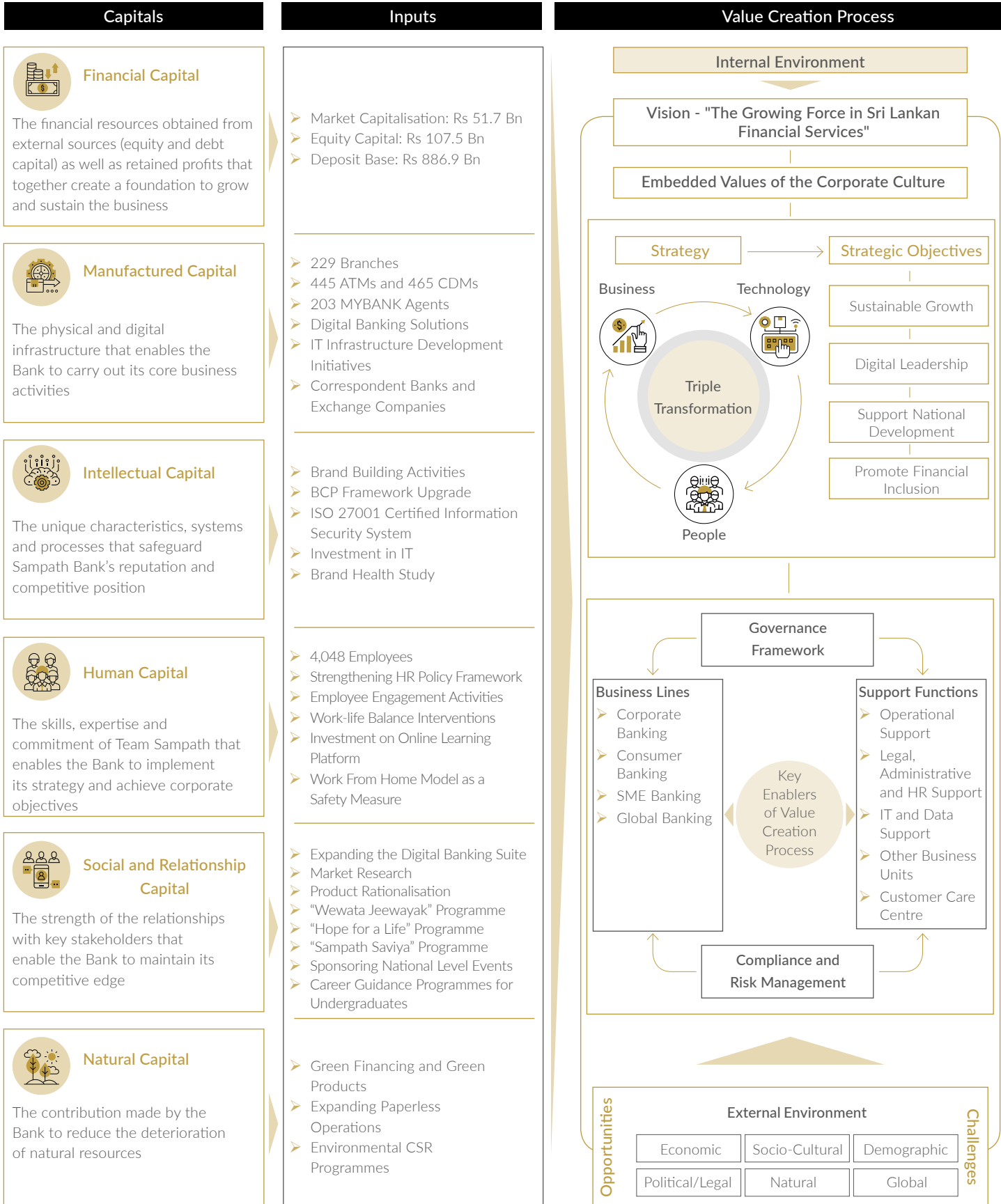
Finally, to our loyal shareholders, thank you for your staying on this journey with Sampath Bank. I trust you will remain committed to our success and my team and I look forward to adding value to your investment in the years ahead.



NANDA FERNANDO
Managing Director

Colombo, Sri Lanka
15th February 2021

OUR VALUE CREATING BUSINESS MODEL



Outputs for Capitals

Value We Create



Financial Capital

- PAT: Rs 8.0 Bn
- ROE: 7.58%
- EPS: Rs 21.04



Manufactured Capital

- New ATMs: 22
- New Cash Deposit Machines: 36



Intellectual Capital

- Brand Value: Rs 28,645 Mn
- World Finance Award – Best Retail & Commercial Bank
- Most Loved Bank (LMD's Brands Annual)
- Most Respected Entities – 6th Place (LMD & Nielsen)
- Most Valuable Consumer Brand – 5th Place (LMD's Brands Annual)
- Ranked Amongst the Top 1000 World Banks 2020 (UK's Banker Magazine)



Human Capital

- Revenue per Employee: Rs 25.3 Mn
- Employee Retention: 99%
- Online Learning Hours: 110,500 (Learn with Vidvan - Learning Management System)



Social and Relationship Capital

- New Products Launched: 01
- Persons Benefitted under "Wewata Jeewayak" Programme: 1,640
- Persons Trained under "Sampath Saviya" Programme: 672
- Intern and Industrial Placements Intake: 481



Natural Capital

- Solar Power Generation through Branch Network: 251,908 kWh
- Finance on Renewable Energy Projects: Rs 1,358 Mn
- Carbon Footprint of the Bank: 9,138 tCO₂e



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 281.94
- Gross Dividend: Rs 3.15 Bn
- Dividend per Share: Rs 8.25
- Dividend Yield: 6.08%



For Our People

- Learning and Development Opportunities
- Career Progression
- Recognition Schemes
- Work-life Balance Initiatives
- Competitive Benefits Structure



For Our Customers

- Debt Moratorium for COVID-19 Affected Businesses
- Product Developments to Suit the New Normal Conditions
- 24 x 7 Customer Care Centre and Chatbot – Virtual Banking Assistant



For Our Local Communities

- Groom Young Business Leaders
- Facilitate Farmers to Cultivate both Yala and Maha Seasons
- Provide Internship Opportunities



For Our Environment

- Over 96% Transactions Performed Digitally
- 427 Trees Saved through Slip-less Banking and Cash Deposit Machines
- Over 9,000 Trees Planted through Environmental CSR Programmes



For the Government

- Taxes Paid: Rs 10.5 Bn

STRATEGIC SUSTAINABILITY FRAMEWORK

▶ GRI - 102-31,32

At Sampath Bank we define our success not only by financial excellence, but also by measuring our triple-bottom-line results to assess if the Bank can be considered an economically, socially and environmentally sustainable organisation.

Sustainability Challenges and Opportunities for the Banking Sector in 2020	Our Response	Sustainability Priorities for 2020
<p>Challenges arising due to the COVID-19 pandemic:</p> <ul style="list-style-type: none"> ▶ Global & local economic slowdown resulting in weaker business prospects for the SME sector. ▶ Change in typical spending patterns due to lower disposable income among individuals due to job losses. ▶ Socio-economic issues (widening of the poverty gap, inability to access education etc.) attributed to lower disposable income. <p>Opportunities due to climate change:</p> <ul style="list-style-type: none"> ▶ Heightened demand for sustainable financing (clean energy technology projects). ▶ The need for digital banking solutions to address the customers' banking needs. 	<ul style="list-style-type: none"> ▶ Empower the SME sector by helping them to build resilience against unforeseen economic challenges. ▶ Support the national socio-economic development programme to assist in bridging the poverty gap and increase mainstream access to good education. ▶ Contribute towards the clean energy sector. ▶ Develop a fully-fledged digital ecosystem to holistically address the customers' banking needs. 	<ul style="list-style-type: none"> ▶ Engage in capacity building initiatives to enable SMEs to focus on emergency preparedness and business continuity. ▶ Invest in impactful livelihood development projects that have the ability to provide long term benefits to grass root level communities. ▶ Facilitate increased access to financial assistance for renewable energy. ▶ Strengthen the Bank's information security management architecture to create a solid foundation for the expansion of the digital banking concept.

Principles that Drive Our Commitment to Sustainable Development		
<p>Complying with all applicable (Economic, Social and Environmental) laws and regulations.</p>	<p>Working continuously to protect the environment, respect human rights and uphold labour standards.</p>	<p>Integrating sustainability into the core business strategy in order to avoid causing or contributing to adverse social and environmental impacts at any level across the business.</p>
<p>Updating on an ongoing basis, the range of offerings to promote mainly products and services that contribute positively towards sustainable development of people, the environment and the economy.</p>	<p>Support and encourage customers to enable them strike a balance between financial gain and their responsibility to society and the environment.</p>	<p>Refrain from lending to industries that are against our Environmental and Social Management criteria.</p>

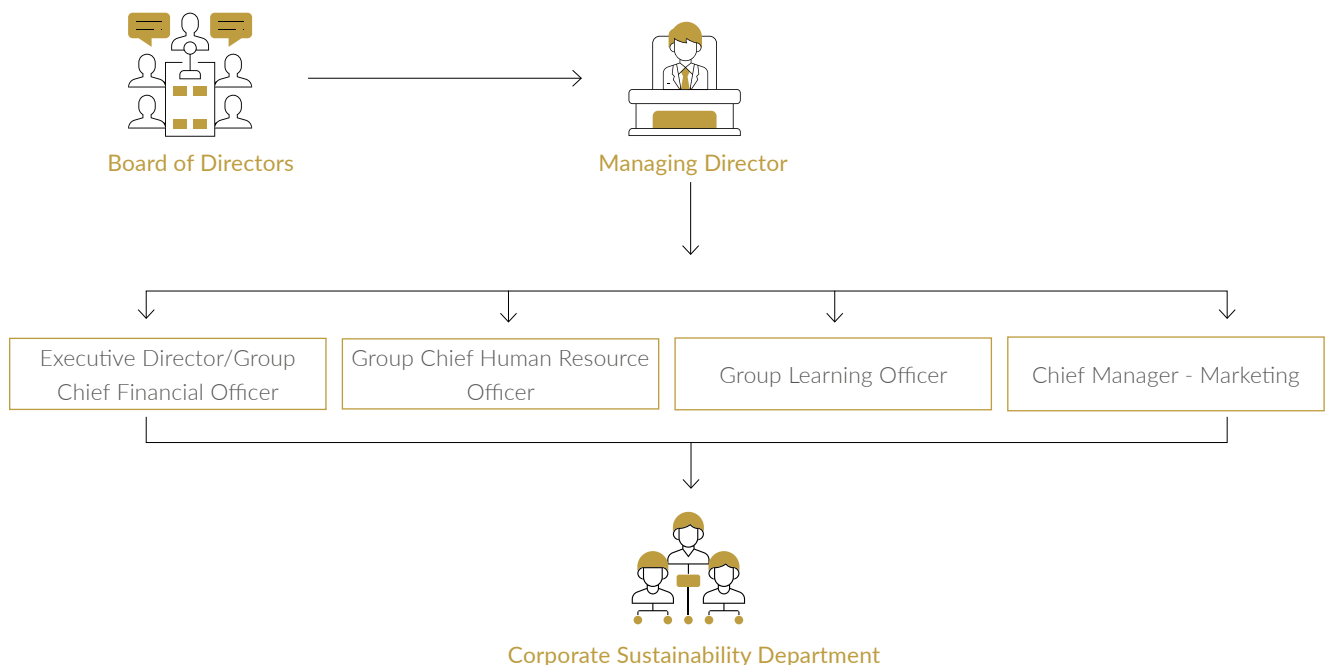
GRI - 102-18,19,20,21,26,29,33/103-2

Sustainability Governance

Bank-wide sustainability concerns are managed via a two-tier Governance Structure made up of the Corporate Sustainability Committee and the Corporate Sustainability Department.

The Corporate Sustainability Committee is the main body authorised to provide direction and exercise control over all sustainability related matters, while the Corporate Sustainability Department is tasked with planning and implementation of programmes that demonstrate Sampath Bank’s commitment to the Sustainable Development Goals.

Sustainability Governance Structure



To continuously transform our business and enhance the Bank’s contribution to sustainable development, we conduct a 360° horizon scan. This helps to determine the risks and opportunities that could influence our sustainability performance in the current context as well as in the future.

The Stakeholder Engagement Process adds further value to our efforts. As described in the Stakeholder Engagement section on pages 47 to 51, we regularly engage with our stakeholders for the purpose of obtaining feedback, knowledge sharing and to raise awareness regarding sustainability themes.

Meanwhile global standards such as the UN Sustainable Development Goals (SDGs) provide greater clarity on how, Sampath Bank as a leading service organisation in Sri Lanka, can undertake initiatives to assist the country's efforts to address sustainability challenges such as poverty, cleaner energy and climate change among others. In recent years, we have been redirecting our focus to broaden our coverage of the SDGs.

STRATEGIC SUSTAINABILITY FRAMEWORK

Our Contribution to the Sustainable Development Goals in 2020

GRI - 413-1



CONNECTING WITH OUR STAKEHOLDERS

GRI - 102-33,40,42,43,44

We have developed a specific management philosophy for each stakeholder category to help systematically manage each group. The philosophy demonstrates the Bank's conviction to separately address the needs of each respective stakeholder category and thus serves as the overarching principle for maximising stakeholder value creation.

Being in the business of banking for the past 33+ years, we have long since understood that our stakeholders are an integral part of our success story so far and will continue to be vital to our future journey as well.

Identifying Stakeholders

Using an internal and external environmental analysis, we have identified our stakeholders to be those individuals and groups who either influence or are influenced by Sampath Bank's operations, activities, decisions,

products and services. Stakeholders are then broadly categorised based on the degree of influence and the level of impact.

We have developed a specific management philosophy for each stakeholder category to help systematically manage each group. The philosophy demonstrates the Bank's conviction to separately address the needs of each respective stakeholder category and thus serves as the overarching principle for maximising stakeholder value creation.



Shareholders and Other Investors

Management Philosophy

Ensuring long-term shareholder value and upholding the rights of the shareholder and supporting a broader shareholder constituency to ensure their wealth maximisation



Community

Management Philosophy

Working in tandem with global and local mandates which safeguard the environment and promote community empowerment



Suppliers and Service Providers

Management Philosophy

Striking the right balance between cost and quality and promoting ethical and transparent sourcing practices



Employees

Management Philosophy

Commitment to create a conducive environment for the employees to develop and reach their potential, both professionally and personally



Customers

Management Philosophy

Uphold the customers' right to demand a stable and progressive banking environment which provides a superior service platform and promotes customer choice/convenience



Regulatory Bodies

Management Philosophy

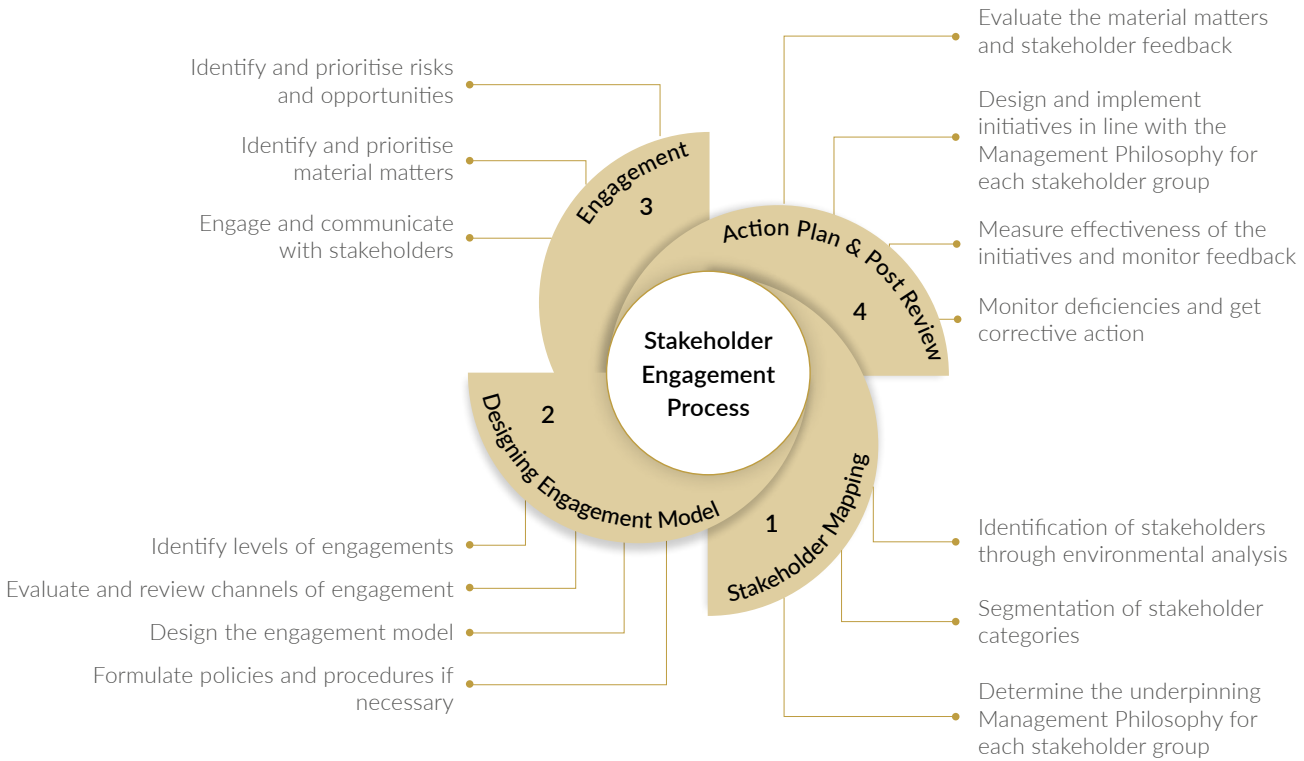
Ensure compliance with all legal and regulatory requirements



CONNECTING WITH OUR STAKEHOLDERS

Managing Stakeholder Expectations

We connect regularly with our stakeholders to identify and address their needs. The insight and feedback we receive through these interactions have proven to be a key source in identifying Material Topics that can impact on our strategy and decision making processes, and drive innovation for the purpose of long-term value creation.



Stakeholder Engagement Mechanism

Shareholders and Other Investors		Engagement Mechanism	Engagement Frequency
Matters Relevant to the Stakeholder	Our Strategic Response to Stakeholder		
<ul style="list-style-type: none"> ➤ Shareholder satisfaction regarding the Bank’s financial position ➤ Shareholder views on key governance and policy matters ➤ Development of shareholder communication channels ➤ Return on equity and interest gains ➤ Strategy and continuity ➤ Financial performance 	<ul style="list-style-type: none"> ➤ Maintaining a consistent bottom line ➤ Ensuring sustainable return on investment ➤ Engaging in greater transparency according to the corporate governance code ➤ Maintaining the Bank’s reputation and credibility ➤ Safeguarding asset quality 	Shareholder relations forums	Periodically
		General meetings	Annually/Periodically
		Annual Report	Annually
		Interim Financial Statements	Quarterly
		Disclosures and announcements on CSE	Periodically
		Corporate website	24 hours 7 days
		General correspondence	Regularly
		CSR projects	Regularly

Employees

Matters Relevant to the Stakeholder	Our Strategic Response to the Stakeholder	Engagement Mechanism	Engagement Frequency
<ul style="list-style-type: none"> ➤ Ethical employment practices ➤ Career development opportunities ➤ Employee communication and feedback ➤ Rewards/recognition ➤ Employee well-being ➤ Work-life balance 	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> Open-door policy Employee forums Employee suggestions schemes Grievance-handling procedure Employee social committees Feedback forms Business unit level meetings Intranet Memorandums/Directives Newsletters Training Get-togethers/Events Sampath Employee Notification System (SENS) & HR Hotline CSR projects Online groups 	<ul style="list-style-type: none"> Regularly Regularly Regularly Regularly Regularly Annually Regularly 24 hours 7 days Regularly Quarterly Regularly Regularly 24 hours 7 days Regularly Regularly

Suppliers and Service Providers

Matters Relevant to the Stakeholder	Our Strategic Response to the Stakeholder	Engagement Mechanism	Engagement Frequency
<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> Interactions through the purchasing policy Feedback evaluations Meetings Visits to supplier workshops/offices Written communications (letters and e-mails) Reviews and assessments 	<ul style="list-style-type: none"> Regularly As and when required As and when required Periodically Regularly Periodically

CONNECTING WITH OUR STAKEHOLDERS

Community

Matters Relevant to the Stakeholder	Our Strategic Response to the Stakeholder	Engagement Mechanism	Engagement Frequency
<ul style="list-style-type: none"> ➤ Community capacity building ➤ Community empowerment ➤ Social welfare of communities ➤ Environmental degradation ➤ Preservation of local culture 	<ul style="list-style-type: none"> ➤ Socially-responsive CSR model ➤ Transparency and governance ➤ Community engagement ➤ Employee volunteerism ➤ Become a catalyst for change 	Ground-level interactions with community leaders by staff	Regularly
		Interactions with social groups and volunteer organisations	Regularly
		Environment grievance handling mechanism	Regularly
		Discussions with government organisations	Regularly
		Discussion with other organisations, community and opinion leaders on community development efforts	Regularly
		Digital media-based forums	Regularly
		CSR projects	Regularly

Customers

Matters Relevant to the Stakeholder	Our Strategic Response to the Stakeholder	Engagement Mechanism	Engagement Frequency
<ul style="list-style-type: none"> ➤ Customer service ➤ Customer security ➤ Satisfaction on existing products ➤ Brand perception and reputation ➤ Customer convenience ➤ Need for innovations and customised solutions ➤ Communication methods ➤ Special promotions ➤ Timely and relevant information on products and services ➤ Customer touch-points ➤ Customer benefits and rewards ➤ Loyalty recognition 	<ul style="list-style-type: none"> ➤ 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 	One-on-one feedback from customers who visit the Bank	Regularly
		Customer surveys conducted via traditional or non-traditional research techniques	Periodically
		Social media interactions	24 hours 7 days
		Customer complaint handling mechanism	24 hours 7 days
		ATL, BTL and digital communications	Regularly
		Correspondence	Regularly
		SMS Alerts	24 hours 7 days
		Corporate website	24 hours 7 days
		Sampath Vishwa (internet banking) portal	24 hours 7 days
		Customer Care Centre	24 hours 7 days
		CSR projects	Regularly
		Feedback forms - paper based/electronic mediums	Regularly

Regulatory Bodies

Matters Relevant to the Stakeholder	Our Strategic Response to the Stakeholder	Engagement Mechanism	Engagement Frequency
<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ 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 	Policy directives/ circulars, guidelines and operating instructions	Regularly
		Meetings and forums	Periodically
		Press releases	Regularly
		Periodic and one-off returns	Periodically/ As and when required
		On-site and off-site supervision	Periodically/ As and when required
		Training programmes	Regularly

Stakeholder Survey 2020

In 2020, we conducted a comprehensive stakeholder survey covering Sampath Bank's key stakeholder groups - shareholders, customers, employees, suppliers and members of the community. Stakeholders from around the country responded to the survey which was conducted by way of an online questionnaire and a series of telephone interviews.

Based on the feedback received through the survey, we were able to validate the 20 Material Topics considered in the previous year and reconfirm their relevance for the current financial year as well. At the same time, the survey also revealed a new Material Topic; COVID-19 pandemic and its impact on the economy, an aspect that has been a key focal point in our strategic decision making in 2020.

Memberships of Associations

►GRI - 102-13

Sampath Bank PLC held membership of the following industry based associations and national and international advocacy organisations with the motive of maintaining sustainable relationships with stakeholders and contributing to 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
CSR Lanka (Guarantee) Limited	Member
Exporters' Association of Sri Lanka	Member
International Chamber of Commerce - ICC Sri Lanka	Member
Italian Business Council	Member
Lanka Clear (Pvt.) Ltd	Member
Lanka Financial Services Bureau Ltd. (LFSB)	Member
Lanka SWIFT User Group (LSUG)	Treasurer & Assistant Treasurer
Leasing Council of Bankers of Sri Lanka	Member
National Chamber of Exporters of Sri Lanka	Member
Payment Card Industry Association of Sri Lanka	Member & Treasurer
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	Member
Sri Lanka Bank's Association (Guarantee) Ltd	Member
Sri Lanka Business & Bio Diversity Platform of Ceylon Chamber of Commerce	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) Ltd	Member
The National Chamber of Commerce of Sri Lanka	Member

03

MANAGEMENT DISCUSSION & ANALYSIS

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*A
Million
Partnerships*

The progress and betterment of our relationships is at the core of all our achievements.
At Sampath Bank we are nurturing millions of partnerships and value drivers built upon
decades of trust.

OPERATING ENVIRONMENT

Global economic activity in 2020 was defined entirely by the COVID-19 pandemic and the decisions taken by nations to respond to the crisis. Therefore, the global economy which appeared to be gradually strengthening at the start of 2020 after years of sluggish growth, found itself completely derailed as most countries began announcing stringent lockdown measures and social distancing protocols at the very onset of the pandemic.

Global Economy - Overview

Global economic activity in 2020 was defined entirely by the COVID-19 pandemic and the decisions taken by nations to respond to the crisis. Therefore, the global economy which appeared to be gradually strengthening at the start of 2020 after years of sluggish growth, found itself completely derailed as most countries began announcing stringent lockdown measures and social distancing protocols at the very onset of the pandemic. Lockdown related restrictions including, border closures and supply chain disruptions were responsible for a collapse in global trade in 2020. The ramifications for industry and commerce too have been sizable while the effect on travel and tourism has been devastating. Meanwhile oil prices reached unprecedented lows amid escalating concerns over the pandemic's lasting impact over oil demand.

The decline in global investment also appears to have been quite substantial. In all, the global economy was thrust into what is now thought to be its worst ever recessionary period in the past 150 years, even surpassing the impact of the world wars and the great depression of 1929.

Amidst this backdrop, the global economy is estimated to have contracted by 4.4% in 2020. While the initial contraction in advanced economies was seemingly less severe in the first half of 2020, the situation deteriorated fast as economic activity in the latter part of the year was again disrupted as more aggressive second and third waves of the pandemic began emerging in the US and across Europe. Most emerging economies too were severely impacted by the pandemic, given their reliance on advanced economies as key markets. Emerging economies with higher COVID-19 caseloads were particularly badly hit and were left to deal with rapidly falling per capita incomes and the prospect of millions being pushed to the brink of poverty, which saw many of these nations slipping into a deeper recessionary state.

United States

Recording the highest number of infections from the outset itself and the most number of COVID-19 deaths to date, the United States will go down in history as the country worst affected by the pandemic. It is therefore no surprise to note that the US economy slipped into a pandemic-induced recession as economic activity in the first half of 2020 declined sharply, by as much as three times more than the decline seen at the peak of the financial crisis in 2009. Interestingly through strong fiscal support to boost household incomes, more than what was extended during the financial crisis, helped trigger a visible uptick in economic activity in the third quarter of 2020. However, this pick up was abruptly cut short by the widespread resurgence of the virus ahead of the winter months.

United Kingdom

In addition to dealing with prolonged worries regarding BREXIT, the UK economy took a massive hit due to the pandemic. Weighed down by soaring infection rates, ad-hoc lockdown restrictions and uncertainties regarding the outbreak of a new variant of the virus towards end-2020, economic activity in the UK suffered throughout 2020.

Euro Area

All major Eurozone economies weakened substantially in 2020 as several key sectors that support the area's economic growth, in particular tourism were badly affected by the pandemic. The fact that three of the major economies in the region - Germany, France and Italy were plagued by a fresh surge of the virus in the final months of the year meant the recessionary conditions in the area worsened towards the end of 2020.

Japan

Japan's economy performed reasonably well in the first half of 2020, thanks to early action to control the pandemic impact coupled with strong fiscal support. However, a resurgence of the virus in the third quarter dealt a significant blow to the economic progress made earlier in the year.

China

Following early action to curb the spread of the virus, China's economy bounced back strongly by mid-2020. Backed by higher industrial output and increased spending on infrastructure investments, the Chinese economy grew at a much faster pace than was expected.

Outlook and Prospects for the Global Economy

With the pandemic situation still evolving, it can be reasonably assumed that global economic activity will not return to pre-pandemic levels for a prolonged period in the future. Even if the vaccine roll out is expedited and the spread of the virus is more or less brought under control by mid-2021, the pandemic-impact on trade, supply chains, labour markets and human productivity, will likely continue to affect the global growth prospects for some time to come. This calls for governments to be proactive in their efforts to fuel economic recovery in the near term, along with long term policy action to safeguard their respective economies from the far reaching consequences of the pandemic.

Sri Lanka's Economy - Overview

Sri Lanka, which had been recording sub-par growth in recent years, faced fresh challenges amidst the COVID-19 outbreak which erupted in the country in March 2020. As per the provisional estimates available, Sri Lanka's economy appears to have contracted by 1.7% in 1Q2020, the result of the combined impact of supply chain disruptions caused by COVID-19 related lockdowns, subdued demand from key export markets attributed to the pandemic as well as the adverse local weather conditions.

Key sectors such as agriculture and industry deteriorated significantly, recording degrowth of 5.6% and 7.8% respectively in 1Q2020 compared to growth of 5.0% and 3.9% registered in the first quarter of 2019. The Service sector on the other hand, demonstrated greater resilience to the immediate impact of the pandemic, growing marginally by 3.1% in 1Q2020, almost on par with the growth figure of 3.7% reported for the corresponding period in the previous year.

Given the weak economic performance during the year and other concerns regarding the country's mounting debt burden, major rating agencies such as S&P Global, Fitch Ratings and Moody's, all downgraded Sri Lanka's sovereign rating in 2020.

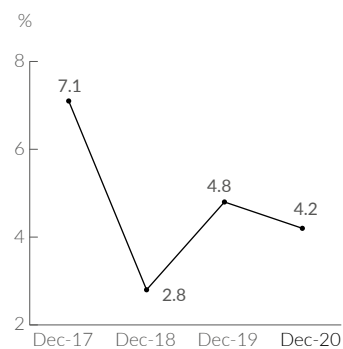
Unemployment

The 2-month island-wide lockdown imposed by the government from March to May 2020 in a bid to control the COVID-19 first wave, had a sizable impact on the country's labour market. Consequently, 1H2020 was characterised by unusually low labour force participation as well as high unemployment levels. Available data suggests that unemployment levels in the first half of 2020 shot up to 5.6% from only 4.8% in the corresponding period of 2019.

Inflation

Weaker domestic demand for much of the year, along with well anchored inflation expectations ensured that inflation levels stayed broadly within the 4% - 6% bandwidth throughout 2020. While year-on-year headline inflation based on the Colombo Consumer Price Index (CCPI 2013 = 100) increased to 6.2% in February 2020 due to an escalation in food prices, a gradual moderation was seen in the months that followed, causing headline inflation to settle at 4.2% by December 2020.

Headline Inflation (CCPI)



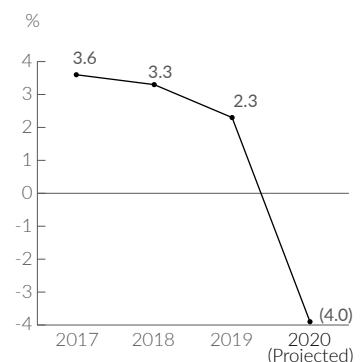
External Sector

The external sector which showed signs of heightened vulnerability at the onset of the COVID-19 outbreak in 1Q2020, made a strong recovery from Q2 onwards thanks to timely policy measures taken by the government and the CBSL to manage the pandemic impact on the economy. Of particular note is the decision to impose import controls with effect from April 2020 which helped to drastically cut expenditure on imports for the five-month period ended 31st August 2020. And with export income outpacing import expenditure by a wide margin, a sizable contraction in the trade deficit was also recorded during this period.

Exchange Rate

The Rupee demonstrated greater stability in 2020, except for a sharp depreciation in the immediate aftermath of the pandemic in March/April 2020. The Rupee depreciated significantly during this time and hit its highest level of Rs 199.75 per US Dollar on 9th April 2020, denoting a depreciation of 9.07% from end-December 2019. The import controls introduced by the government as well as the CBSL's intervention in the domestic foreign exchange market in 2Q2020 helped to ease the pressure to a large extent and stabilise the exchange rate, thus restricting further depreciation of the Rupee.

Annual GDP Growth - Sri Lanka



OPERATING ENVIRONMENT

Outlook and Prospects for the Sri Lankan Economy

Going by the swift resumption of economic activity following the relaxation of lockdown restrictions in May 2020, the Sri Lankan economy is expected to make a strong recovery in 2021. While the emergence of the COVID-19 second wave in October 2020 and the subsequent downgrade of Sri Lanka's sovereign rating by all major rating agencies, are both likely to dampen the pace of recovery, it is hoped that the government-led relief efforts would facilitate a faster recovery in the near term and the growth oriented policy framework being put in place by the government would accelerate the pace of recovery over the longer term.

Equity Market

The high degree of volatility seen in the country's equity markets throughout 2020 can be attributed primarily to the uncertainties caused by the COVID-19 pandemic. The CSE remained hyper sensitive to adverse news regarding the pandemic, which led to a high degree of volatility in both the ASPI and S&P SL 20 indices from Q2 onwards. It should however be noted that similar trends were observed across global equity markets, especially in other emerging market economies.

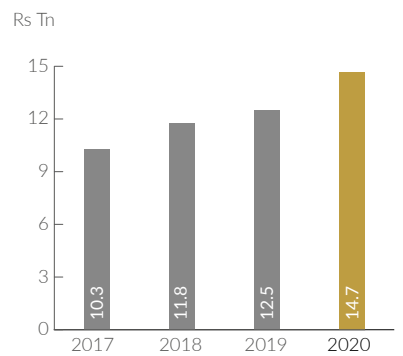
Banking Sector Update

The year 2020 was a challenging one for the local banking sector. Amidst the backdrop of depressed global and local economic conditions, the performance of the banking sector fell below expectations in 2020 as asset quality and profitability were both compromised due to the higher credit risk. Despite the elevated credit risk however, the banking sector did continue to operate with adequate capital and liquidity buffers and coverage ratios throughout the twelve-month period ended 31st December 2020.

Asset Base

An improvement was seen in the banking sector's asset base, where total assets expanded by 17.1% during the year 2020, compared to only 6.2% growth recorded in 2019. The increase in the asset base was driven by a 11.9% growth in loans & advances. Of the loans granted, over 75% was attributed to State Owned Enterprises (SOEs). Meanwhile credit granted to the private sector, especially to financial services, trading and tourism industries declined sharply in 2020.

Asset Base - Banking Industry



Funding

Deposits remained the primary funding source for the banking sector. The banking sector deposit base reported growth of 21.6% during the year 2020 backed by good growth in both term deposits as well as current and savings deposits (CASA). The sector-wide CASA ratio increased to 34.5% by end December 2020, up from 31.4% at the end of December 2019.

Asset Quality

Sector-wide asset quality deteriorated, as the overall non-performing loans ratio for the banking sector edged up to 4.9% by end December 2020 from 4.7% as at 31st December 2019. Statistics as at 31st December 2020 indicate that all main sectors reported NPLs above the average. The manufacturing sector reported the highest NPL ratio of 8.7% followed by trade at 7.4%, agriculture at 6.9%, tourism at 6.8% and construction at 6.4%.

It should however be noted that arrears position of the customers eligible for moratorium has been frozen during the first and the second phases of the debt moratorium.

Capital and Liquidity

The banking sector remained adequately capitalised in order to absorb adverse shocks. By end September 2020, the sector operated with a Total Tier I ratio of 13.0% and a total capital ratio of 16.5%, both well above the BASEL III minimum requirements.

Throughout 2020, the banking sector continued to operate with adequate liquidity buffers over and above the regulatory minimum requirement. Action by the CBSL to lower the Statutory Reserve Ratio (SRR) and simultaneously revise the definition of liquid assets, further enhanced the ability of banks to comply with the minimum Statutory Liquid Asset Ratio (SLAR). Consequently, the SLAR of the banking sector's Domestic Banking Units (DBU) stood at 37.3% as at end December 2020, well above the minimum statutory requirement of 20%.

Legal Reforms Affecting the Banking Sector

In 2020, the government initiated several legal reforms aimed at strengthening the local banking sector. Most notably the action by the CBSL regarding the proposed new Banking Act to be introduced in 2021. The proposed new act, which carries a wider scope will replace the existing Banking Act No. 30 of 1988. It is expected that the new Banking Act will cover the licensing, supervisory, regulatory and resolution framework of banks and transform the regulatory and supervisory landscape of the banking sector, whilst strengthening the resilience and efficiency of licensed banks in the medium to long term.

Monetary Policy Measures 2020

Date	Measure
30 Jan 2020	SDFR and SLFR reduced by 50 basis points to 6.50% and 7.50%, respectively.
17 Mar 2020	SDFR and SLFR reduced by 25 basis points to 6.25% and 7.25%, respectively.
17 Mar 2020	SRR reduced by 1.00 percentage point to 4.00% to be effective from the reserve period commencing 16 Mar 2020.
27 Mar 2020	Introduced a concessional loan scheme, the Saubhagya COVID-19 Renaissance Facility (Phase I - Refinance Scheme), up to Rs 50 Bn at an interest rate of 4.00% to support the COVID-19 hit businesses.
03 Apr 2020	SDFR and SLFR reduced by 25 basis points to 6.00% and 7.00%, respectively, to be effective from the close of business on 03 Apr 2020.
16 Apr 2020	Bank rate reduced by 500 basis points to 10.00% and allowed to automatically adjust in line with the SLFR, with a margin of +300 basis points.
06 May 2020	SDFR and SLFR reduced by 50 basis points to 5.50% and 6.50%, respectively, to be effective from the close of business on 06 May 2020. Bank Rate automatically reduced to 9.50%.
16 Jun 2020	SRR reduced by 2.00 percentage points to 2.00% to be effective from the reserve period commencing 16 June 2020.
16 Jun 2020	Extended the concessional loan scheme introduced on 27 Mar 2020 up to Rs 150 Bn at an interest rate of 4.00% to support the COVID-19 hit businesses (the Saubhagya COVID-19 Renaissance Facility - Phase II).
09 Jul 2020	SDFR and SLFR reduced by 100 basis points to 4.50% and 5.50%, respectively. Bank Rate automatically reduced to 8.50%.
Note:	The Central Bank imposed interest rate caps on pawning advances of licensed banks on 27 April 2020 and tightened interest rate caps on selected lending products on 24 August 2020.

Outlook and Prospects for the Local Banking Sector

The prospects for the sector in 2021 will depend largely on the broad-based revival of economic activity across all key sectors. In this regard, it is hoped that credit growth would pick up in the short to medium term supported by the government-led initiatives aimed at enhancing credit flows to the economy. Meanwhile with the true impact of the COVID-19 debt moratorium on the banking sector yet to be ascertained, it is imperative that banks to remain hyper vigilant about rising NPLs until the COVID-19 crisis is resolved globally and locally.


A Million Resources

CAPITAL MANAGEMENT REPORTS

Sampath Bank believes in responsibly managing its vast pool of resources to ensure sustainable growth. Our far-sighted, prudent strategies ensure our longevity in the years to come.

Financial Capital 59
Manufactured Capital 64
Intellectual Capital 67
Human Capital 70
Social and Relationship Capital 73
Natural Capital 77

FINANCIAL CAPITAL



Rs 1,110 Bn
Asset Base

Rs 962 Bn (2019) ▲
+15%

Material Aspects that Drive
Sampath Bank's Financial
Capital Development Strategy

- Profitability and Financial Stability



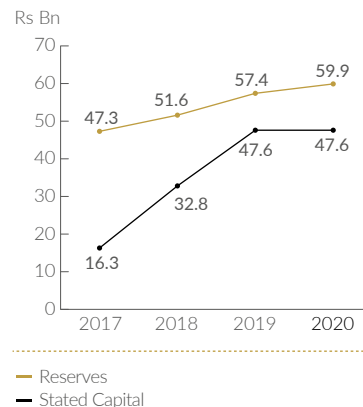
Scan this QR code for a more comprehensive view of our Financial Capital
www.sampath.lk

Despite the challenging conditions, Sampath Bank continued to prioritise the needs of all stakeholders. Backed by its solid fundamentals and strong operational capacity, the Bank took prompt action to implement government-led relief measures aimed at combating the impacts of COVID-19.

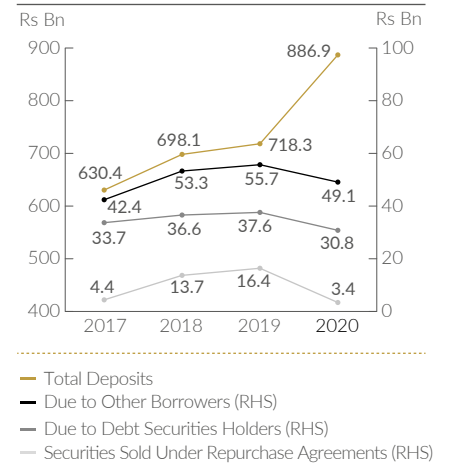
Financial Capital refers to the financial resources obtained from external sources (Equity and Debt Capital) as well as internally generated funds (Reserves) that together create a foundation to grow and sustain the business over time.

Financial Capital Profile

Financial Capital Profile - Equity Capital



Financial Capital Profile - Deposits & Debt Capital

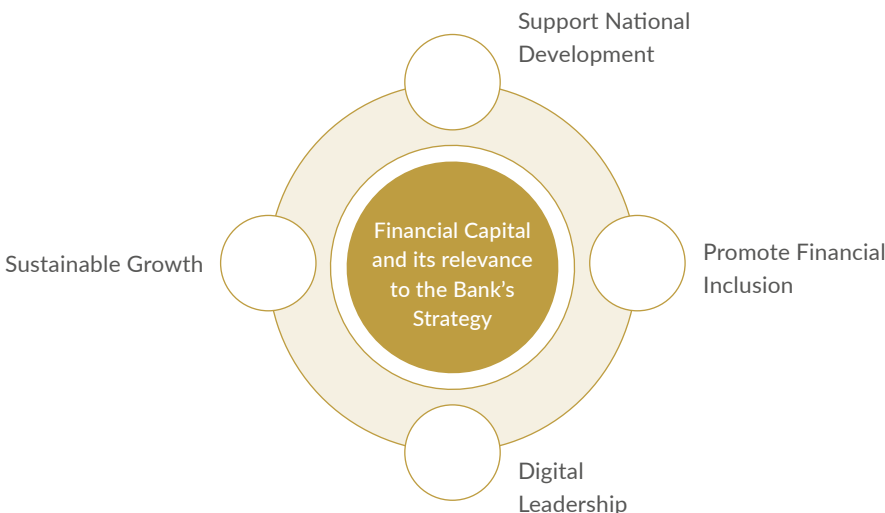


Value Additions for 2020

Overview of Global and Domestic Fronts

The year 2020 will go down in history as one of the most challenging years in the 21st century as the outbreak of COVID-19, which started in late 2019, began to spread worldwide from January 2020. In a bid to curb the spread of disease most of the affected countries were seen implementing nation-wide lockdowns and other control measures in turn bringing certain economies to a complete standstill.

In Sri Lanka, COVID-19 emerged just as the country's economy was seemingly recovering from the spillover effects of the April 2019 Easter Sunday terror attacks. Therefore, the outbreak of COVID-19 was a massive blow that further weakened the country's economy which was under stress. To ease the burden on the general public and revive economic activity during this unprecedented disruption, the Central



FINANCIAL CAPITAL

Bank of Sri Lanka (CBSL) introduced a broad-based economic stimulus package that included the Saubhagya COVID-19 Renaissance Facility and the Debt Moratorium scheme to offer support to COVID-19 affected businesses and individuals. Other policy measures by the CBSL such as the restriction on imports, policy interest rate cuts, lowering of the SRR for licensed commercial banks and the involvement in the domestic foreign exchange market were all aimed triggering economic activities as well as preserving the stability of the country's financial system.

Measures Taken by Sampath Bank

Despite the challenging conditions, Sampath Bank continued to prioritise the needs of all stakeholders. Backed by its solid fundamentals and strong operational capacity, the Bank took prompt action to implement government-led relief measures aimed at combating the impacts of COVID-19. Accordingly, the Bank was able to grant the debt moratorium phase I to approximately 50% of customers on its loan book, while phase II of the debt moratorium was extended to approximately 30% of its loan book. Sampath Bank also actively participated in disbursing loans under the Saubhagya Renaissance scheme to eligible customers. Where necessary, the Bank also took its own initiatives to assist customers to overcome this difficult time.

Analysis of the Statement of Profit or Loss

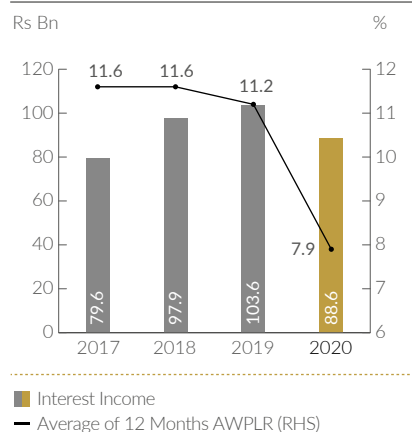
Gross Income

Sampath Bank's gross income declined by Rs 16.5 Bn or 13.9% to Rs 102.3 Bn in 2020, due to contractions reported in all key income sources. Interest income, which accounts for 86.6% of the Bank's gross income, dropped by 14.4% compared to the previous year while fee and commission income which contributes 9.6% to the gross income also dipped by 16.6% from the figure reported in 2019.

Net Interest Income (NII)

With the government-led economic stimulus package and interest caps introduced by the regulator bringing pressure on the Bank's Net Interest Margins (NIM), in 2020 the Bank registered a NIM of 3.3% which was 116 basis points lower than the year 2019. Total Interest Income for the year 2020 decreased by Rs 15.0 Bn to Rs 88.6 Bn compared to Rs 103.6 Bn registered in the previous year, reflecting a dip of 14.4%. Total Interest Expenses too declined by 11.6% to Rs 54.8 Bn in 2020 from Rs 62.0 Bn recorded in 2019.

Interest Income & AWPLR



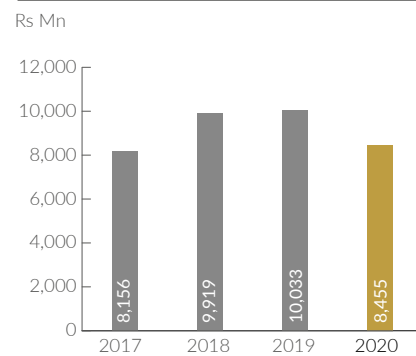
Meanwhile as per the "Modification method" prescribed in the Sri Lanka Accounting Standards (SLFRS - 9), the Bank recognised a "Modification loss" of Rs 3.1 Bn against the interest income, on account of the debt moratorium phase I.

The combined impact of the lower interest regime and the concessionary interest rates charged during debt moratorium phase I, drove down the Bank's NII by 18.6% from Rs 41.6 Bn in the previous year to Rs 33.8 Bn in 2020. The Bank continued to closely monitor all variables affecting the NII, supported by necessary follow up action to prudently manage the same throughout the year.

Non-Fund Based Income (NFBI)

Sampath Bank reported a net fee and commission income of Rs 8.5 Bn in 2020, a decline of 15.7% against the previous year. The Bank's ability to generate fee based income was adversely affected by the 2-month long island-wide lockdown as well as due to region-wise mobility restrictions imposed by the authorities from time to time in order to control the spread of COVID-19. The resulting low level of economic activity and restricted hours of business operations, had a sizable impact on the volume of fee based transactions carried out by the Bank during the year. Further, suspending or refunding of certain charges by the Bank, considering the current difficulties faced by customers due to the COVID-19 pandemic also negatively impacted the Bank's fee based income.

Net Fee & Commission Income



However, on a positive note, fees generated through electronic channels and digital platforms recorded a robust increase in 2020, as majority of the customers began migrating to digital channels during the lockdown period and thereafter. Despite the reduction in trade related activities, the trade related commission income also recorded a marginal growth. This growth was attributed to the government directive mandating the conversion of sight LCs to term LCs. Meanwhile, aggressive efforts to capture limited business opportunities helped to bolster the commission income.

Given the sluggish movement in the overall advance portfolio and the debt moratoriums extended during the year 2020 and also considering the potential impact that could arise once the debt moratorium phase II lapses in March 2021, it was decided to recognise a material impairment provision as an allowance for overlay in 2020. Additionally, the Bank downgraded the customers operating in elevated risk industries on prudential basis from Stage 1 to Stage 2 and recognised a substantial provision to account the potential risk.

Net Other Operating income recorded a substantial growth of 179.2% in 2020, primarily due to higher realised exchange income and the FCY reserve revaluation gains. These exchange gains are attributed to the 2% depreciation of LKR against the US Dollar. On the other hand, the same reason was behind the exchange losses on the revaluation of forward exchange contracts, which was responsible for the 98.9% decline in the Net Gain from Trading compared to the previous year. Therefore, while the Bank's Net Other Operating income increased to Rs 3.5 Bn in 2020 compared to the Rs 1.2 Bn reported in 2019, the Net Gain from Trading declined to Rs 24.8 Mn for

2020 compared to the Rs 2.2 Bn recorded in 2019. The total exchange income meanwhile reported only a marginal decrease of Rs 1 Mn in the year under review in comparison to the previous year.

Moreover, the Net Gain on De-recognition of Financial Assets registered Rs 423.8 Mn in 2020 as opposed to the Rs 113.7 Mn reported in 2019, a year-on-year (YoY) increase of 272.8%.

Impairment Charge

The Bank remains committed to continuously assess the credit quality of its advances portfolio in order to ensure that adequate provisions are recognised in the financial statements. In the year under review, the credit quality of the Individually Significant Loans was discretely evaluated and appropriate provisions were made, regardless of the fact that those customers were within the debt moratorium. Adequate provisions were also made under the Collective Impairment category to capture the impact of weak economic conditions prevalent for much of 2020. Moreover, given the sluggish movement in the overall advance portfolio and the debt moratoriums extended during the year 2020 and also considering the potential impact that could arise once the debt moratorium phase II lapses in March 2021, it was decided to recognise a material impairment provision as an allowance for overlay in 2020. Additionally, the Bank downgraded the customers operating in elevated risk industries on prudential basis from Stage 1 to Stage 2 and recognised a substantial provision to account the potential risk. Further, provisions were made by increasing the probability weightage on the worst-case macro-economic scenario to capture the expected credit losses. Due to all these prudential measures taken by Sampath Bank, impairment charge against Stage 1 and Stage 2 loans for the year 2020 increased by 15.8% compared to 2019.

Owing to the significant increase in Stage 3 loans (Rs 10.7 Bn) during the year 2019, the Bank had to make higher

impairment provisions against the Stage 3 loans in that year. However, the Bank did not require higher impairment provisions against Stage 3 loans in 2020 as it did in 2019 owing to the fact that the Stage 3 loan growth was only Rs 6 Bn during the year under review. Consequently, impairment charges against Stage 3 loans in 2020 decreased by 33.1% compared to the previous year.

On the other hand, the impairment provision against the investment in Sri Lanka Development Bonds (SLDBs) and Sri Lanka International Sovereign Bonds (SLISBs) increased significantly during the year, owing to the downgrading of the country's sovereign rating.

Operating Expenses

Operating Expenses, which stood at Rs 20.4 Bn in 2019, decreased to Rs 20.1 Bn in the year under review, reflecting a YoY drop of 1.3%. The stringent cost optimisation strategies implemented by the Bank in response to the challenging macroeconomic conditions were instrumental in lowering costs.

Nevertheless, the Bank's Cost-to-Income ratio (excluding taxes on financial services) increased to 43.5% in 2020, from 36.9% in 2019. This was primarily due to the 16.2% decline in total operating income for 2020 which outweighed the positive impact created by the 1.3% drop in total operating expenses.

Taxation

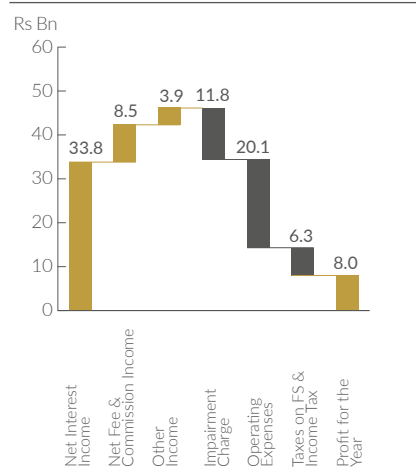
The total tax expense of the Bank stood at Rs 6.3 Bn for the year 2020, compared to the Rs 11.1 Bn in 2019, reflecting a decrease of 43.1%. The removal of Nation Building Tax (NBT) and Debt Repayment Levy (DRL) with effect from December 2019 and January 2020 respectively, was responsible for reducing a considerable portion of the tax outflow in 2020. Accordingly, the 44.0% effective tax rate (total) registered for the year was below the last year's effective tax rate (total) of 49.9%.

FINANCIAL CAPITAL

Profitability

Due to the aforementioned reasons, Profit before Tax (PBT) for the year 2020 dropped to Rs 11.2 Bn from Rs 15.5 Bn reported in the previous year, denoting a decline of 27.9%. Profit after Tax (PAT) too fell by 28.0% from Rs 11.2 Bn in 2019 to Rs 8.0 Bn in 2020.

Bank's Performance 2020



Return on Equity (ROE) and Return on Assets (ROA)

Return on Average Equity (ROE) (after tax) declined from 11.78% in 2019 to 7.58% in 2020, in direct correlation to the lower PAT. Return on Average Assets (ROA) (before tax) also declined to 1.09% for the year, from 1.66% reported in the previous year.

Analysis of the Statement of Financial Position

Total Assets

Despite the extraordinarily challenging environment, Sampath Bank continued to grow in 2020, as reflected by the 15.4% growth in the total asset base from Rs 962 Bn as at the end of 2019 to Rs 1.1 Tn as at 31st December 2020. Passing the One Trillion mark in total assets in just 33+ years marks a significant milestone for Sampath Bank, and also creates a new record in the Sri Lankan banking sector as the youngest bank to surpass this remarkable landmark.

The growth in financial assets recognised at amortised cost by Rs 149.6 Bn, which mainly includes the loans and advances and the investments made in debt and other instruments is the main contributor to the aforementioned total assets growth reported in the year under review. Cash and cash equivalents and the financial assets recognised at fair value through other comprehensive income also contributed positively to the asset growth by Rs 11.3 Bn and Rs 6.9 Bn, respectively. On the other hand, the balances with the Central Bank of Sri Lanka declined by Rs 17.7 Bn, owing to the reduction in Statutory Reserve Ratio (SRR) from 5% in 2019 to 2% in 2020.

Loans & Advances and Debt & Other Instruments

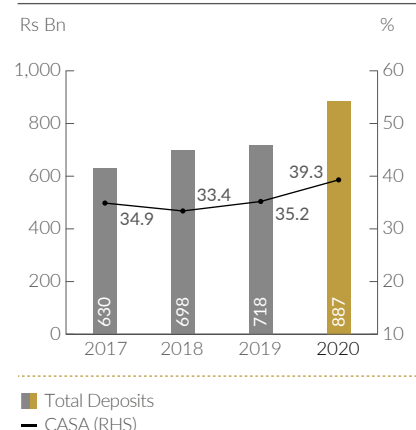
The main contributor to the Bank's asset growth during this year was not the Loans and Advances, the reason being the sluggish credit demand from the private sector and the selective lending approach adopted by the Bank amid the elevated credit risk prevalent in the market throughout the year. As a result, the net loan book of the Bank, which stood at Rs 689.4 Bn as at 31st December 2019 expanded marginally by 4.5%, to reach Rs 720.2 Bn as at 31st December 2020. On the other hand, Debt and Other Instruments such as Treasury Bills, Treasury Bonds, SLDBs and SLISBs etc., became the most attractive investment opportunity to divert the Bank's funds. Thus, the Debt and Other Instruments portfolio recorded a considerable growth of 76% or Rs 118.8 Bn in the year under review.

Liabilities

Sampath Bank's deposit base expanded by Rs 168.6 Bn or 23.5% during the year, to reach Rs 886.9 Bn as at 31st December 2020, compared to the Rs 718.3 Bn reported as at 31st December 2019. This growth was largely backed by the Current and Savings Accounts (CASA). The Bank's CASA ratio increased by triple digit basis points (410) during the year and stood at

39.3% as at the reporting date, vis-à-vis the 35.2% recorded as at the end of the previous year end. Despite the low interest rate environment that prevailed throughout the year, the Bank's Term Deposit portfolio too grew by 15.8% in 2020.

Total Deposits & CASA



On the other hand, due to the net settlement of repo borrowings obtained from CBSL, the year end balance decreased by Rs 13.0 Bn compared to the balances maintained as at 31st December 2019. Owing to the maturity of 2015/2020 Debenture in November 2020, Debt Securities issued too declined by Rs 6.9 Bn compared to the yearend 2019. "Due to other borrowers" also contracted by Rs 6.6 Bn in the year under review, primarily due to the settlement of foreign currency borrowings and call borrowings.

Capital Adequacy and Liquidity

The Bank remained well capitalised during 2020 with low leverage and high levels of loss absorbing capacity, with all capital metrics maintained well above the regulatory thresholds right throughout the year. The Bank's Common Equity Tier I, Total Tier I and Total Capital ratios stood at 13.44%, 13.44% and 16.41%, respectively as at 31st December 2020, notably above the Basel III prescribed minimum capital requirements, while the Leverage ratio of 6.94% too was well in excess of the minimum requirement of 3%.

Meanwhile, the Bank continued to maintain all Liquidity ratios above the minimum requirements all through the year under review.

Group Performance

Sampath Group consists of four fully owned subsidiaries; Siyapatha Finance PLC, Sampath Centre Limited, SC Securities (Private) Limited and Sampath Information Technology Solutions Limited. All the companies have reported a resilient performance during these challenging times. A brief review of their performance is given in the section on "Performance of Subsidiaries" in page 95 of the Annual Report.

Performance of the Share

The Colombo Stock Exchange (CSE) operations were also interrupted in 2020 due to the pandemic containment measures. This together with the weak economic conditions had a significant impact on the ASPI. As a result, the ASPI fluctuated significantly in 2020, between a low of 4,248 and a high of 6,774, before finally ending the year at this peak point. In line with the fluctuation in ASPI, the Bank's share price too fluctuated between a low of Rs 96.00 and a high of Rs 170.00 during the year and settled at Rs 135.60 as at the end of trading on the 31st December 2020, registering a 16.5% price drop compared to the closing share price traded for the year 2019. However, the market price of Sampath share has been increased by Rs 32.15 in 2021 to date, since the year end 2020.

The Board of Directors of Sampath Bank PLC at its Board Meeting held 27th January 2021 recommended that the number of ordinary shares of the Bank in issue be increased by way of a sub-division of shares; whereby one (01) ordinary share will be subdivided into three (03) ordinary shares. As a result, the number of ordinary shares will be increased from 381,457,985 to 1,144,373,955.

Earnings per Share for the reporting period dropped to Rs 21.04 from Rs 32.84 reported in 2019, by Rs 11.80 predominantly due to lower PAT in 2020. However, the Net Asset Value per Share increased from Rs 275.27 reported as at end 2019 to Rs 281.94 as at end 2020 by Rs 6.67.

Dividend

The Directors have recommended a final cash dividend of Rs 8.25 per share for the financial year ended 31st December 2020, based on the 381,457,985 shares in issue as at 15th February 2021. The said dividend is subject to approval of the shareholders at the Annual General Meeting to be held on 30th March 2021.

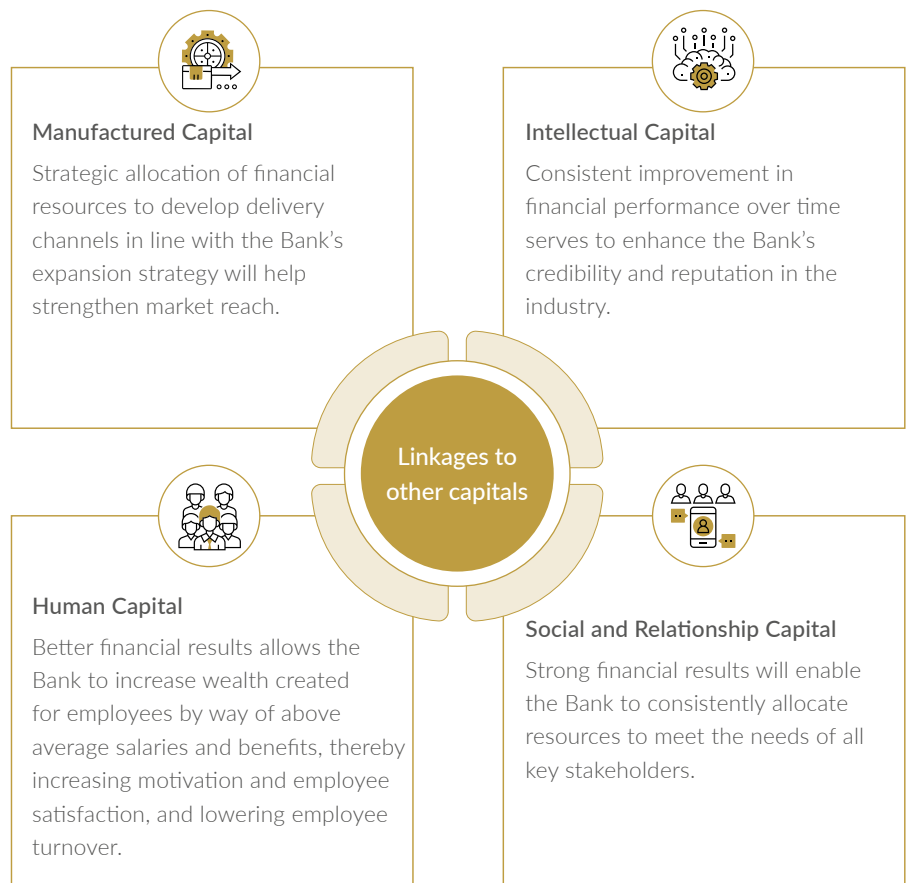
However, if the shareholders approve the resolution for the proposed sub-division of shares in the proportion of 01:03 at the Extra-ordinary General Meeting to be held on 17th March 2021, the final cash dividend will be based on the increased

number of shares (i.e. 1,144,373,955 shares). Consequently, each share will be entitled to a cash dividend of Rs 2.75.

The Dividend Payout Ratio for the year ended 31st December 2020 stood over 39%.

Debenture Issue 2021

The Board of Directors of the Bank decided to issue 50,000,000 Basel III Compliant - Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable 7 year debentures (2021/2028) with a Non-Viability Conversion at a pre-specified trigger point, at the par value of Rs 100 each to raise Rs 5,000,000,000 with an option to issue up to a further 10,000,000 of said debentures to increase the said sum by up to a further Rs 1,000,000,000 at the discretion of the Bank in the event of an over subscription of the initial issue. The above issue is subject to the approval of the shareholders at an Extra-ordinary General Meeting.



MANUFACTURED CAPITAL



910
Number of
ATMs and CDMs

852 (2019) **+7%**

Material Topics that Drive
Sampath Bank's Manufactured
Capital Development Strategy

- Physical Channels
- Digitalisation Agenda



Scan this QR code for a more comprehensive view of our Manufactured Capital

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Our strategy is based on adding value to the key areas of our Manufactured Capital in order to expand Sampath Bank's island-wide reach, enhance our ability to service all segments of the market and augment the Bank's value creation capacity.

▶ GRI - 102-6

Our Manufactured Capital comprises the physical and digital assets that confirm the legitimacy of Sampath Bank's business and allows us to carry out our core business of banking. In this manner, our Manufactured Capital serves as a conduit in delivering our value proposition to customers.

We believe that by developing our Manufactured Capital, we are able to expand our reach to enable more and more Sri Lankans to benefit from the full gamut of banking products and services offered by Sampath Bank. It is this premise that has led us to undertake regular, ongoing investments to strengthen our physical and digital ecosystems as well as the Bank's core IT infrastructure. Our strategy is based on adding value to the key areas of our Manufactured Capital in order to expand Sampath Bank's island-wide reach, enhance our ability to service all segments of the market and augment the Bank's value creation capacity.

Manufactured Capital Profile

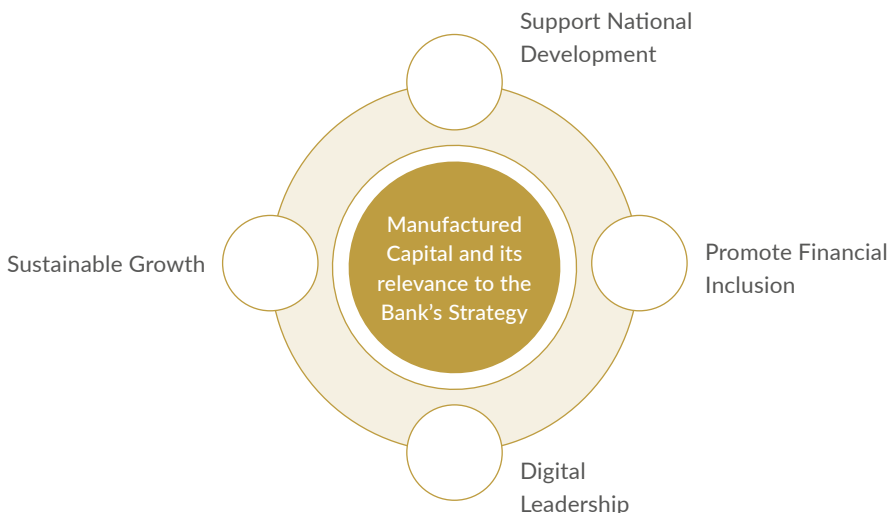
- Sampath Bank Head Office
- 229 Branches
- 348 On-site ATMs
- 97 Off-site ATMs
- 465 CDMs
- 13 Cheque Deposit Machines
- 203 MYBANK Agents
- 5 Digital Banking Centres
- Sampath Bank Customer Care Centre
- Sampath Vishwa Online Banking
- Sampath Bank App
- Sampath WePay Wallet
- Sampath Bank's Core IT Infrastructure

Value Scorecard for 2020



Branch Network

- Under the branch upgrade programme, a total of 25 recycler CDMs were installed.
- Branches were kept open in order to facilitate regular branch operations throughout the 2-month island-wide lockdown during the COVID-19 first wave.
- Expanded the number of hybrid branches by setting up new digital centers at Panadura Wekada, Makola and Oddamavadi branches enabling them to be converted into hybrid branches.



ATM Network



- A total of 22 new ATMs were commissioned in key towns and cities around the island.
- The first off-site digital centre was established in Katugastota in January 2020.

Recalibrating in response to COVID-19 challenges

The mobile ATM was introduced as a temporary measure in the Western Province during the COVID-19 lockdown from March to May 2020. Recycler ATMs were deployed to offer cash deposits, withdrawals and utility bill payment facilities.

Agency Channel



- 203 MYBANK agents were onboarded to cover geographical pockets that are not adequately covered by the branch network.

Digital Banking Solutions

Broadened the spectrum of Digital Banking Solutions by;



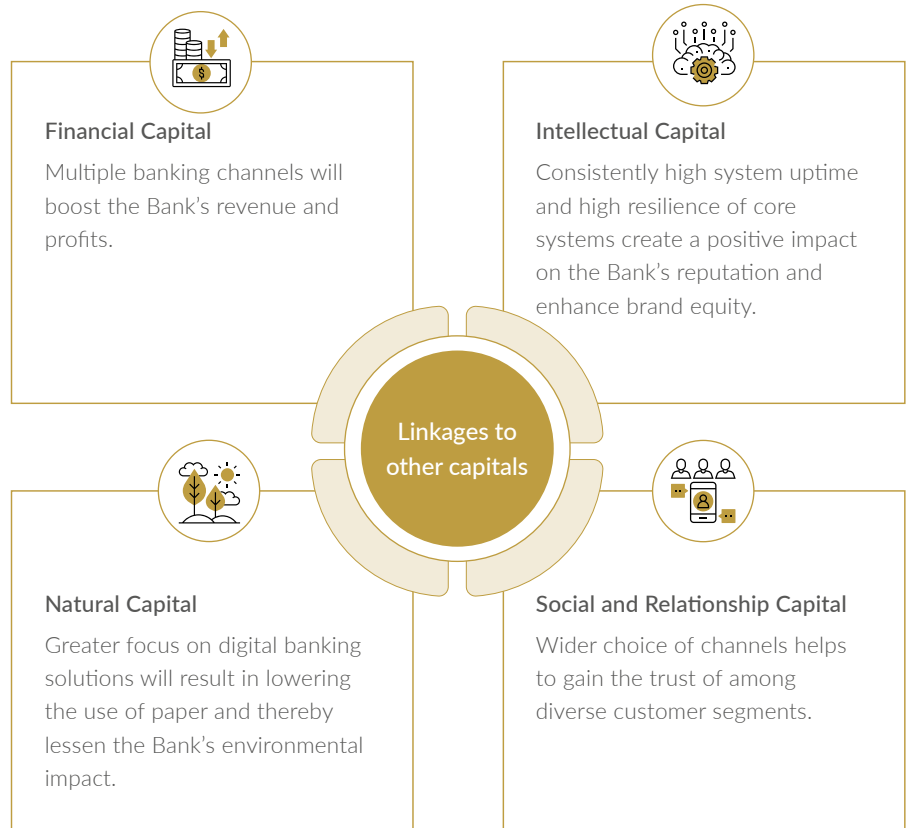
- Extending the Digital Loan scheme to different loan categories including the Samachara loan for pensioners.
- Introducing “Evolve”, an e-commerce platform for small and medium sized businesses.
- Enhancing the Sampath Vishwa (Retail and Corporate) platforms with a host of additional features.

IT Infrastructure Development



The Bank priorities were two-fold;

1. Building system capabilities:
 - Second data centre was shifted to SLT’s tier 3 data centre in Pitipana, which operates as per the international standards and global best practices for end to end redundancy protocols.
2. Strengthening overall resilience to manage the impacts of COVID-19:
 - To accommodate the high transaction volumes during the COVID-19 lockdown, load balancing software was implemented to minimise the downtime across all digital banking platforms.
 - Risk Management Systems including Early Warning Systems were further strengthened.
 - A Predictive Analytics tool was introduced to assist the Risk Management Department to detect possible Non-Performing Advances.
 - Microsoft 365 was implemented to enable employees to manage their work streams remotely via business communication systems.
 - “Vidvan” - a new advanced Learning Management System (LMS) was rolled out to support the Sampath Learning Academy to move all learning tools to an online platform.



MANUFACTURED CAPITAL

Proposed Action for 2021

› Installing cheque deposit machines at selected branches.

› Increase the number of hybrid branches to cover 48% of the total branch network.

› Expand the network of Cash Recycler Machines to enable customers to perform all routine transactions including cash deposits, cash withdrawals, bill payments etc. all through one single machine.

› A version upgrade of the existing software systems to facilitate the expansion of the MYBANK agency network and to improve the overall operational efficiency of the agency channel.

› Develop a simplified new on-boarding platform to allow the end-to-end on-boarding process to be completed digitally.

› Implementation of the fully-fledged Security Operating Center (SOC) to facilitate continuous and ongoing monitoring of all online transactions in real time, including remote access by operational teams.

We believe that by developing our Manufactured Capital, we are able to expand our reach to enable more and more Sri Lankans to benefit from the full gamut of banking products and services offered by Sampath Bank.

INTELLECTUAL CAPITAL



Rs **28.6 Bn**
Brand Value

Rs **25.8 Bn** (2019) ▲
+11%

Material Topics that Drive Sampath Bank's Intellectual Capital Development Strategy

- Corporate Brand Image/ Goodwill Building
- Business Continuity Planning
- Information Security



Scan this QR code for a more comprehensive view of our Intellectual Capital

www.sampath.lk

We operate on the premise that investing in our intellectual capital will give Sampath Bank a definite competitive advantage over its peers in the local banking sector.

Intellectual Capital refers to the unique intangible resources that strengthen our business foundations to facilitate the smooth functioning of day to day operations as well as to safeguard the Bank's long term sustainability.

We operate on the premise that investing in our intellectual capital will give Sampath Bank a definite competitive advantage over its peers in the local banking sector.

Intellectual Capital Profile

➤ Strong brand reputation

Brand Accolades for 2020

- Sampath Bank was bestowed the following accolades at the LMD Annual Brand Awards 2020;
 - 10th place in the overall 'Most Loved Brands' category becoming the most loved Banking Brand in the country and the only bank to be ranked among the top 10 brands for 2020.

- Ranked among the top 5 'Most Valuable Consumer Brands'.

The LMD Annual Brand Awards are based on the annual index published by Media services. The index is derived following a comprehensive analysis conducted by Brand Finance Sri Lanka to profile the country's leading brands vis-à-vis performance and achievements for a particular year.

- Sampath Bank PLC was rated amongst the Top 1000 Banks in the World in 2020 by the UK's Banker magazine in its 50th anniversary issue in 2020.
- Sampath Bank was recognised as Sri Lanka's 'Best Retail Bank' and 'Best Commercial Bank' for the 7th consecutive year, at the prestigious World Finance Banking Awards by the UK based World Finance magazine.
- Sampath Bank was among the Top 10 "Most Respected Entities in Sri Lanka" for the year 2020, in a survey and publication commissioned and conceptualised by LMD and conducted by Nielsen.

Sustainable Growth



Digital Leadership

- ISO 27001 certified information security system
- Business Continuity Planning framework benchmarked against global best practices

INTELLECTUAL CAPITAL

What customers say about the Sampath Brand

The results of the Brand Health Study conducted in 2020 revealed that customers overwhelmingly felt that:

- Sampath Bank is an all-inclusive national bank, catering to diverse needs of all Sri Lankans.
- Sampath is known to be at the forefront of technology offering innovative and affordable financial solutions for the masses.
- Warm and friendly service of Team Sampath reinforces the Sampath Brand as a truly Sri Lankan bank.

Improving the BCP Framework



- Realigned BCP controls to take into account the varying risk profiles of different branches due to the COVID-19 restrictions.
- Strengthened the existing independent DR site framework.
- Continued with live drills to test the effectiveness of the BCP in meeting its targeted recovery time objectives.

Strengthening Information Security Systems



- Introduction of the mandatory OTP (one-time-password) for the safety of Sampath Vishwa (internet banking) users.
- Started the PCI-DSS certification process to safeguard against the possible loss of payment card data.
- With a major portion of the workforce required to work from home during the year, several new control measures were introduced to minimise the risk of security breaches.
- Made significant progress on the ongoing data classification project.

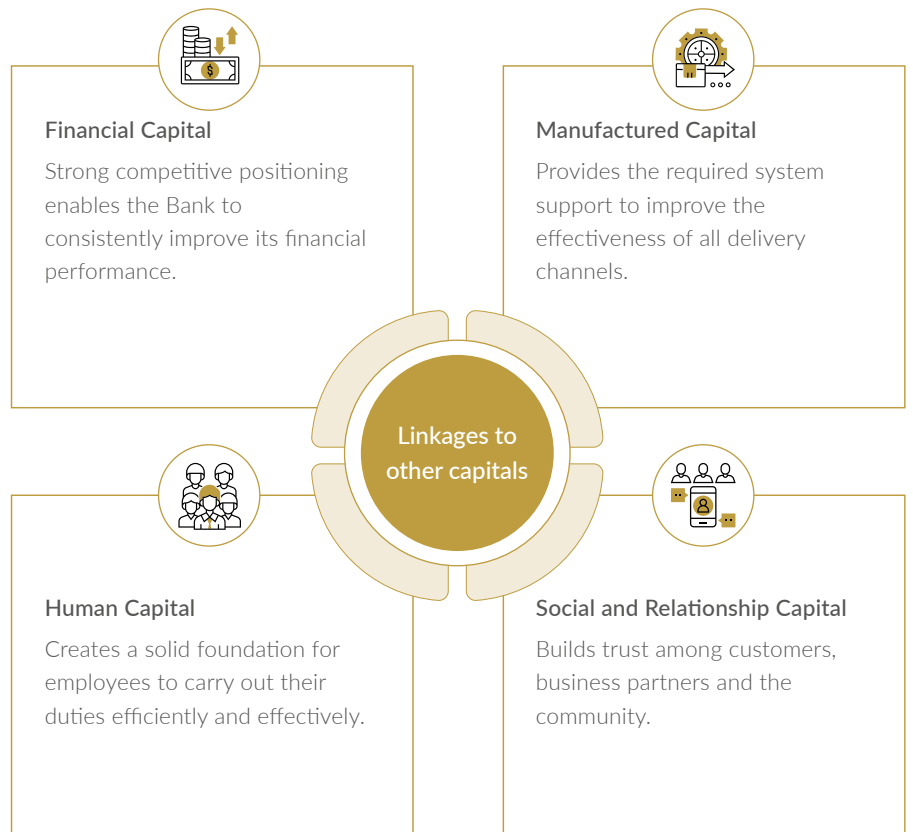
Value Scorecard for 2020

Reinforcing Brand Reputation



Projecting Sampath Bank's commitment and responsibility to the country and its people at a time of national crisis by;

- Enabling customers to access the debt moratorium and other relief schemes announced by the government to assist COVID-19 affected businesses and individuals.
- Began promoting Sampath Bank's range of digital banking solutions to provide customers with an uninterrupted service even amidst the restrictions imposed due to the COVID-19 pandemic.
- Expanded the flagship CSR effort - the "Wewata Jeewayak" initiative to uplift the livelihoods of rural communities and help to lessen the economic shocks they are likely to face due to the COVID-19 pandemic.



Proposed Action for 2021

- > Develop and roll out DR sites for identified business functions.
 - > Introduce web based BCP guidelines.
 - > Invest in advanced Data Leakage Prevention (DLP) software.
 - > Complete the PCI-DSS certification by mid-2021.
 - > Implementation of Comprehensive Security Operations Center (SOC).
 - > Continuous customer and staff awareness programmes.
- > Continue with strategic sustainability initiatives focused on community development, environmental protection and supporting SMEs in order to holistically strengthen Sampath Bank's Brand image as a responsible corporate steward.


We continue with strategic sustainability initiatives focused on community development, environmental protection and supporting SMEs in order to holistically strengthen Sampath Bank's Brand image as a responsible corporate steward.

HUMAN CAPITAL



42.7

Average Training Hours Per Employee

33.6 (2019)  **+27%**

Material Topics that Drive Sampath Bank's Human Capital Development Strategy

- Talent Acquisition and Management
- Learning and Development
- Anti-corruption Practices
- Employee Relations
- Employee Engagement



Scan this QR code for a more comprehensive view of our Human Capital

www.sampath.lk

We have a planned approach focused on building strong connections with our team members both individually and collectively as Team Sampath, to ensure every team member is deeply committed to the Bank's core values and purpose.

We continue to invest considerable resources each year to provide our team members with an unparalleled range of engagement opportunities.

At Sampath Bank, we consider Human Capital to be one of the most important elements of our Bank's success. That is why we believe that developing human capital requires a broad-based approach to create an environment where employees feel empowered to learn and develop the required skills, behaviours and attitudes, and apply innovative ideas to give Sampath Bank a definite edge that would accelerate our onward journey.

Human Capital Profile

- 4,048 employees
- 32.5% of employees serve outside the Western Province
- 49% of employees have been with the Bank for over 10 years
- 66 : 34 (male : female) overall gender ratio
- 24% female representation in Senior Management

Value Scorecard for 2020

Recalibrating to Adapt to COVID-19 Challenges

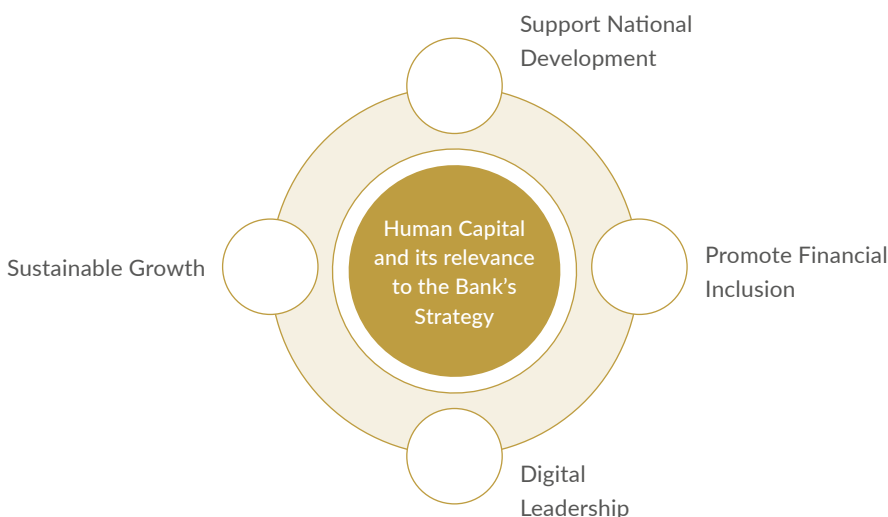


Safety Preparedness

- Set up a COVID-19 Prevention Committee to serve as the main liaison between the Bank and the health authorities and advise the Bank's management regarding specific actionable initiatives.
- Proactive steps were taken to ensure employee safety; mask wearing was made mandatory, installed physical barriers at counters and arranged sanitising facilities at the entrance to each branch. Branches were disinfected as and when needed.

Awareness Campaigns

- Launched an e-flyer campaign to raise awareness among team members with regard to Best Health Practices.
- The Bank's senior leadership began visiting branches affected by uncertainty in order to assess the ground situation.



Work Arrangements

- Declared that expectant mothers would not be exposed to front office operations and instead they were granted special leave.
- Branch operating hours were curtailed as per the guidelines issued by the government.
- New work arrangements, including the work-from-home model was introduced for staff and Corporate Management.
- Initiated the Shared Transport Scheme (STS) to facilitate the transport requirements of team members during the pandemic.
- The Bank's traditional dress code was relaxed for staff.
- A pool of team members from the head office was earmarked to be deployed at branches in case of an emergency situation.

COVID-19 Monitoring

- A central "COVID-19 Monitoring Desk" was set up under the purview of the HR Department to manage communication between all internal and external stakeholders.

Financial Relief

- Decided to refrain from deducting staff loan installments (capital and interest) in the month of April 2020.
- Permanent team members in the grades of Junior Executive and below were granted a "salary advance".

Migration to Online Learning

- "Vidvan" - a new learning management system to enable almost 100% of training activities to be carried out online.



- Rolled out our learning master plan "Stride 2020" broadly focusing on:
 - Strengthening credit competency of branch managers and other credit decision makers.
 - Building awareness on digital channels among branch staff.
 - Supporting leadership development.
 - Customer service development.
- Conducted several webinars covering various operational aspects, including productivity improvement and operational lapses.
- Launched a special webinar series - "Sailing Through Rough Seas" where the initial session was conducted by the Managing Director to gain the

support of employees in meeting the business objectives despite the challenges presented by the COVID-19 pandemic.

Updates to the Benefit Structure



- All confirmed employees were granted an 8% salary increment.
- Arrangements were made to grant the full entitlements earned under the performance-based bonus scheme for the year 2019.
- The following revisions were made to the current benefit scheme:
 - The staff housing loan entitlement was increased.
 - A rate reduction for special staff loans obtained by employees.

HUMAN CAPITAL

Strengthening the Overall HR Policy Framework



- The Grievance Handling Policy was updated to reflect the Bank's commitment to an inclusive environment.
- A new Policy on Overseas Travel was introduced to standardise the overseas travel procedure, for members of team Sampath who are required to travel overseas for both official and personal purposes.

Employee Engagement Activities



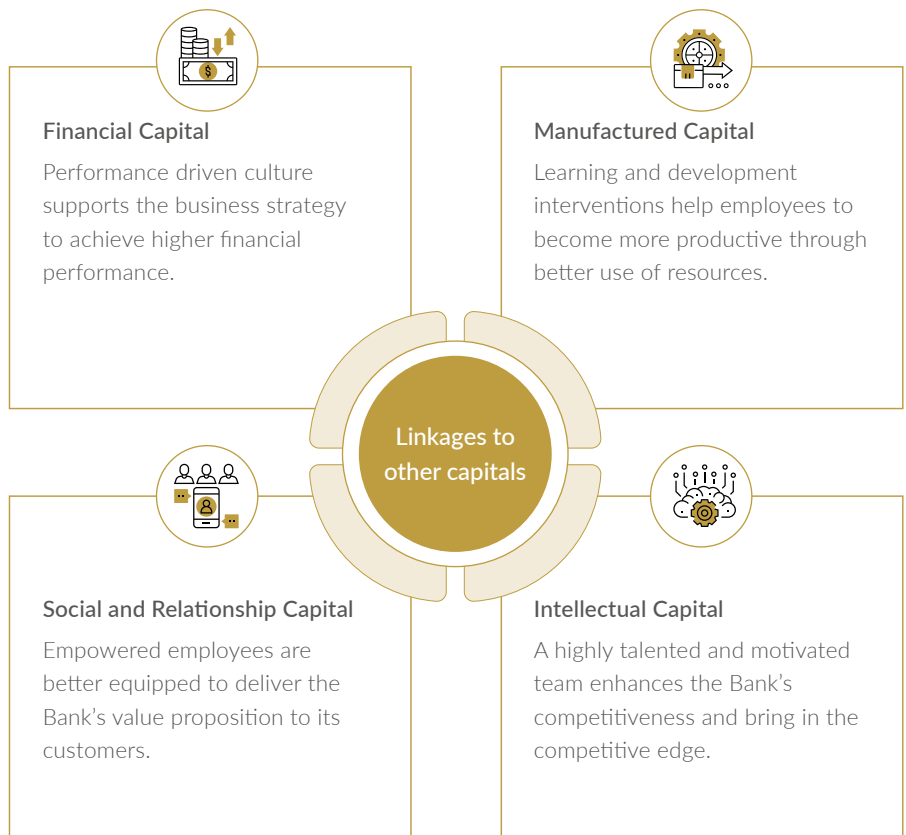
Key employee engagement activities for 2020 included;

- Presentation of Long Service awards to 76 team members who completed 25 years of service.
- Launch of the "We beyond I" campaign to emphasise the importance of teamwork and comradeship at the workplace.
- Launch of the "Save for Tomorrow" campaign, a competition to inspire employees to promote the usage of digital channels among customers.
- Release of a personalised appreciation card to children of employees in allowing their parents to serve during the pandemic.

Health and Wellness Interventions



- Continuing with our regular health and wellness initiatives, we participated in a Healthiest workplace self-assessment survey. Based on the outcome, the Bank was nominated as a "Healthiest Workplace 2020".
- Continued to publish our quarterly e-health magazine to provide information with regard to health and safety.
- Partnered with a leading private hospital chain to provide employees with free health screening facilities.



Proposed Action for 2021

- Focus on the change management process where we will seek increased automation and digitalisation, thus releasing team members who perform mundane tasks for reskilling and subsequent redeployment to more value adding tasks.
- Develop alternative work arrangement solutions that allow employees to be more productive to maintain a better work-life balance.
- Enhance the "Vidvan" learning platform through the integration of augmented reality and other advanced learning tools.
- Accelerate the career progression programme to strengthen the 1:1 backup ratio for all key managerial positions.
- Review and revamp the Bank's HR function in order to ensure a future-ready HR Department capable of driving the Bank to the next level.

SOCIAL AND RELATIONSHIP CAPITAL



Rs 15 Mn
Value Distributed to the Community

Rs 10 Mn (2019) **+50%**

Material Topics that Drive Sampath Bank's Social & Relationship Capital Development Strategy

Customer

- Customer Convenience
- Customer Health and Safety
- Sales Promotions, Marketing Communication and Information Availability on Bank's Products and Services
- Customer Privacy
- Research and Development
- Complaint Management

Community and Supplier

- Community Development
- Financial Inclusion Agenda



Scan this QR code for a more comprehensive view of our Social & Relationship Capital

www.sampath.lk

We want to build strong relationships with our customers, suppliers and the wider community based on trust and mutual respect. The relationships we have built with stakeholders across our value chain are vital to the continuity and long-term sustainability of our business as a bank.

Social and Relationship Capital refers to the relationships with key stakeholders across Sampath Bank's value chain, in particular the connections we have with our customers, suppliers and ties to the community.

We believe that developing and strengthening these bonds creates a firm foundation for Sampath Bank to pursue innovation and differentiation to stay ahead of peers.

Social and Relationship Capital Profile

- Solid customer base consisting of individuals, SMEs and corporate customers across the island.
- Strong ties to grass root level communities in all districts.
- Diverse network of suppliers around the country.

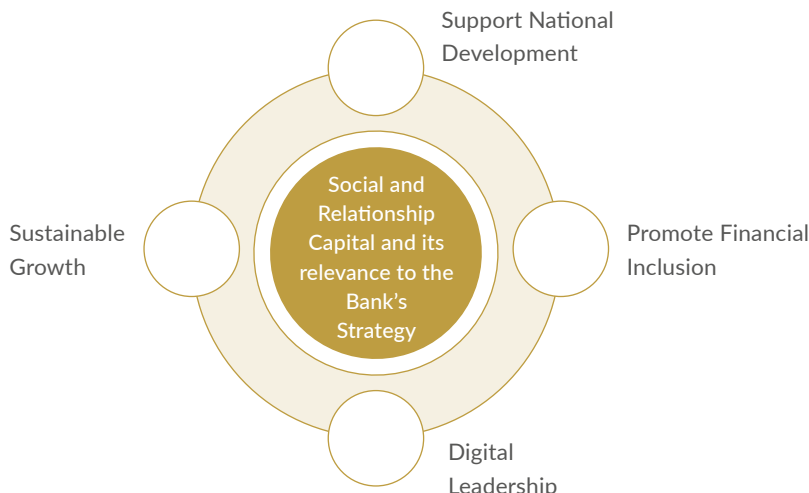
Value Scorecard for 2020

Customer Scorecard



Recalibrating to Adapt to COVID-19 Challenges

- Launched the "Cash-in-a-flash" delivery service in partnership with PickMe.
- Introduced the mobile ATM service at selected locations as a temporary measure from March to May 2020 to give customers the ability to make cash deposits, withdrawals and utility bill payments during lock-down.
- Activated the "Social Share" feature on the Sampath WePay App to facilitate "Avurudu Ganu Denu" transactions during the April 2020 New Year period.
- Rolled out the "Doorstep Banking" facility enabling customers to remotely open savings and fixed deposit accounts.
- Granted digital access to the "Samachara" senior citizens loan scheme.
- Launched "Evolve", an e-commerce platform for small and medium sized businesses.
- Aggressively promoted the "Missed Call" alert facility to receive updates regarding the bank balances.
- Partnered with the Central Bank of Sri Lanka (CBSL) to begin promoting "LANKAQR", as a comprehensive e-payment solution to replace physical cash transactions.
- Expanded the MYBANK agency network by 19% to encourage customers in rural areas to fulfill their day-to-day banking needs through the nearest MYBANK agents.
- Began educating customers on the safe use of digital channels.



SOCIAL AND RELATIONSHIP CAPITAL

Streamlining Complaint Handling

- A separate operational team was appointed from within the Customer Care Centre to track web-based feedback.
- Began installing a comprehensive new AI-based data analytics system to deepen the complaint analysis mechanism at the Customer Care Centre.
- Resolved the issue of recurring complaints regarding statement delays, owing to postal delays by encouraging our customers to accept e-statements.

Measuring Customer Satisfaction

In 2020, we conducted a Brand Health Study, which also enabled us to gain some insights regarding customer satisfaction levels among our customers. The study which was conducted in 2020 was strategically done to cover all parts of the country while also targeting a broader cross section of customer segments as well.

Improving Product Relevance

Embarked on two parallel projects to ensure our products remain relevant and continue to effectively meet its stated objectives at all times.

1. A product mapping exercise to establish the product profile for each of our products by taking into account its relevance to the customer, stage of the product life cycle, contribution to the Bank's bottom-line etc. In the first phase, we undertook to evaluate our deposit products series.
2. A special initiative to revamp our "New Product Development (NPD)" process to introduce decentralised approaches for idea screening and concept approval along with clearly defined roles and responsibilities to speed up approvals at each stage.

"Wewata Jeewayak" contributes to the Bank's triple bottom line approach, as it enriches the lives of the community in the area, improves the surrounding eco-system and empowers agri-entrepreneurs by making them financially inclusive.

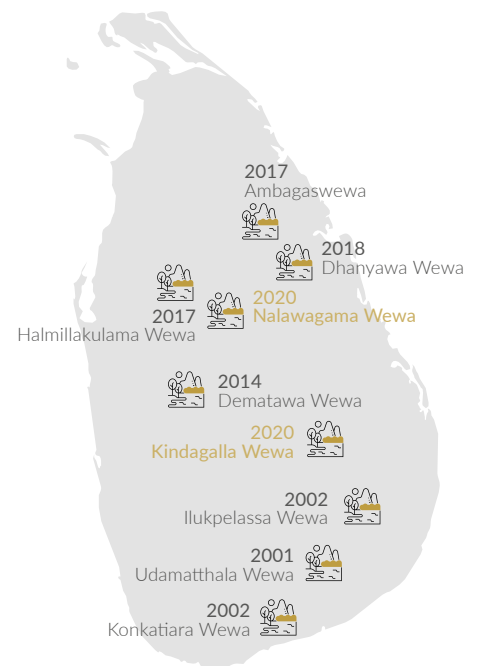
▶ GRI - 413-1/203-1.2

Community Scorecard "Wewata Jeewayak" - Tank Restoration Programme



The "Wewata Jeewayak" programme is Sampath Bank's flagship community development initiative which aims to restore the traditional irrigation networks in order to provide a dependable supply of water for dry zone farmers to irrigate their paddy lands in order to harvest both the Yala and Maha paddy seasons, annually. In 2020, we undertook two tank restoration projects - the first being the restoration of the Kindagalla

Wewa, located in the Kokunnewa area of Bibile in the Monaragala district and the second the restoration of sluice gate of the Nalawagama Wewa located in Nalawa village, Nochchiyagama in the Anuradhapura district.



Restored tanks during past two decades by the Bank.

Kindagalla Wewa – Profile		
Surface Extent: 15 Acres		
	Pre-Restoration	Post-Restoration
Capacity to Irrigate	62 Acres of Paddy Land	262 Acres of Paddy Land
Direct Beneficiaries	60 Farmer Families	260 Farmer Families



"Wewata Jeewayak" - Inauguration Ceremony of Restoration of Kindagalla Wewa, Bibile.

"Sampath Saviya" Entrepreneurship Development Programme

- Held a special "Sampath Saviya" programme through a webinar for 3rd year and final year undergraduates of the Rajarata University of Sri Lanka.
- Conducted a special Youth Entrepreneurship Development Programme for students of Technical College, Polonnaruwa.
- Conducted a special Entrepreneurship Development Workshop for Career Guidance Counsellors at Technical Colleges under the Department of Technical Education and Training.

Education for Development

- Sampath Bank participated in an initiative aimed at realigning the degree curriculum offered by state universities to reflect the current demands of the financial services industry. Accordingly officers from the Bank were invited to participate to the University Curriculum Review Committees to provide inputs regarding industry standards and advice the university academic panel on knowledge and competency requirements to be developed. The universities covered under the project are University of Sri Jayawardenepura, Sabaragamuwa University of Sri Lanka, General Sir John Kotelawala Defense University and Rajarata University of Sri Lanka.
- Career Guidance Sessions for Undergraduates

Title of the Session	Universities
"Start Your Career as a Banker - a Guidance for Your Interview"	<ul style="list-style-type: none"> ➤ Faculty of Management Studies and Commerce, University of Sri Jayawardenepura ➤ Faculty of Science, University of Ruhuna ➤ Faculty of Business Studies & Finance, Wayamba University of Sri Lanka
"Getting Ready for the Business World"	<ul style="list-style-type: none"> ➤ Faculty of Management Studies, Sabaragamuwa University of Sri Lanka
"How to Groom Yourself to Face the Challenges of Tomorrow"	<ul style="list-style-type: none"> ➤ Faculty of Management Studies, Rajarata University of Sri Lanka
"Personal Branding"	<ul style="list-style-type: none"> ➤ Department of Human Resource Management, Faculty of Commerce and Management Studies, University of Kelaniya

- The Bank facilitated the Annual Career Fairs held by the University of Sri Jayawardenepura, the Sabaragamuwa University of Sri Lanka and the University of Moratuwa.
- The Bank's long standing Grade 5 Scholarship Support Programme however could not be held as planned due to the COVID-19 outbreak and only one programme was conducted in early March 2020 in partnership with Wijaya Newspapers.

Clean Drinking Water Project

- The staff of Sampath Bank's Strategic Planning Department together with the Lions Club of Gothatuwa New Century Leo, District 306C1 commissioned a Water Purification Plant for the benefit of school children in Vidhu Aruna Maha Vidyalaya, Mahawilachchiya, in the Anuradhapura District. 300 students of the school are receiving benefits of the project.

"Hope For a Life" Programme ▶ [GRI - 413-1/203-1,2](#)

- Sampath Bank together with the CBL Group and WSO2 jointly donated a fully equipped PCR laboratory to the Army Hospital in Colombo. Costing Rs 32 Mn, this state-of-the-art lab has a testing capacity of 600 samples per day.

Emergency Response Measures

- Conducted a special 3-part online workshop series on strengthening business resilience was held in May, June and December 2020. The three webinars were conducted under the "Sampath Saviya" banner for the benefit of SMEs affected by economic fallout from the COVID-19 pandemic. The topics covered at the webinars included:

First Webinar (May 2020)
"Business Resilience for COVID-19 Affected Businesses"
<ul style="list-style-type: none"> ➤ Creating positive business mind-set ➤ Planning for business re-building ➤ Cash flow management
Second Webinar (June 2020)
"Business Resilience for COVID-19 Affected Businesses "
<ul style="list-style-type: none"> ➤ Creating positive business mind-set ➤ Psychological development to defeat challenges ➤ Sales tactics and enhance sales ➤ Key practical approaches to re-build the business and drive the business successfully
Third Webinar (December 2020)
"Progressive Savings"
<ul style="list-style-type: none"> ➤ Mind setting towards wealth development ➤ Understanding the wealth development focused savings formula ➤ Personal cash management ➤ Personal balance sheet – present and future ➤ Personal income increasing strategies and expenditure reduction approaches

SOCIAL AND RELATIONSHIP CAPITAL

GRI - 102-9

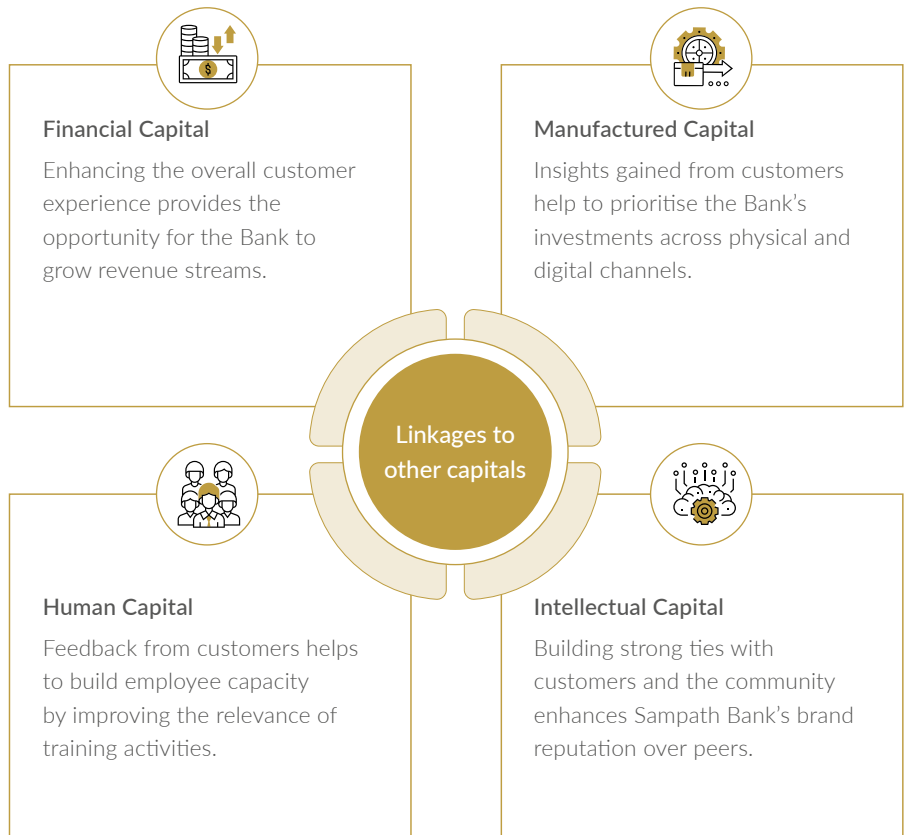
Supplier Scorecard



In our efforts to promote financial inclusion, we engage with all local suppliers and service providers to help them derive the benefits of formal banking. The Bank's Procurement Committee is responsible for the screening and selection of suitable suppliers/service providers, a process that allows us to assess the risks involved in purchasing from different sources.

Number of Registered Suppliers & Service Providers in 2020

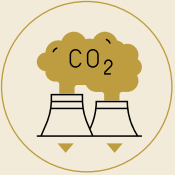
Department	Number
Engineering Department	341
Logistics Department	240
IT Electronic Data Processing Department	158
Marketing Department	58
Total	797



Proposed Action for 2021

- > Expand market research activities to understand evolving customer demographics and map rapidly changing customer behaviour patterns.
- > Prioritise the introduction of new digital solutions that have the ability to transform the local banking landscape.
- > Support the development of agri-entrepreneurs through the "Wewata Jeewayak" tank restoration programme and thereby create a foundation to promote financial inclusion at a grass root level.
- > Expand the "Sampath Saviya" Entrepreneurship Development Programmes for undergraduates.
- > Expand the "Sampath Saviya" Entrepreneurship Development Programmes for students of Technical Colleges.

NATURAL CAPITAL



1,919 tCO₂e
GHG Emission Reduction

204 tCO₂e (2019) ▲
+841%

Material Topics that Drive Sampath Bank's Natural Capital Development Strategy

- Environmental Protection and Conservation

We consider Environmental Protection and Conservation to be one of the fundamental responsibilities as a leading bank in Sri Lanka. We aim to be a responsible environmental steward and strive to minimise the impact that our business may have on the environment.

Natural Capital Profile

- 17% Reduction in Greenhouse Gas Emissions of Sampath Bank.
- 3% Reduction in Electricity Consumption of Sampath Bank Head Office.
- 38% Increase in Solar Power Electricity Generation of Sampath Bank.
- 21% Reduction in Water Usage of Sampath Bank Head Office.

- Launched solar energy loan campaign, "Sampath Soorya" aimed at promoting individuals and businesses to invest in rooftop solar installations.
- Significantly expanded our green product range and thereby lowering paper usage.

New Renewable Energy Projects Financed in 2020	
Number of Projects	13
Capacity (MW)	12.7
Loan Value (Rs Mn)	1,358



Scan this QR code for a more comprehensive view of our Natural Capital

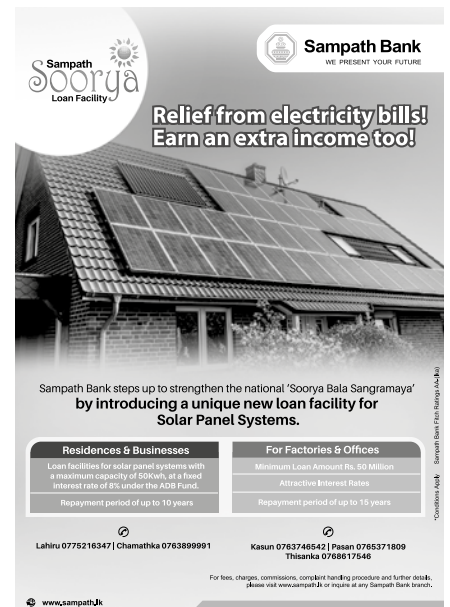
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Value Scorecard for 2020

Focus on Green Financing and Green Products



- Continued to focus on financing of large scale renewable and clean energy technology projects.



Sampath Soorya Loan Facility

Relief from electricity bills! Earn an extra income too!

Sampath Bank steps up to strengthen the national 'Soorya Bala Sangramaya' by introducing a unique new loan facility for Solar Panel Systems.

Residences & Businesses	For Factories & Offices
Loan facilities for solar panel systems with a maximum capacity of 50kWp at a fixed interest rate of 6% under the ADB Fund	Minimum Loan Amount Rs. 50 Million
Repayment period of up to 10 years	Attractive Interest Rates
	Repayment period of up to 15 years

Lahiru 0775216347 | Chamathika 0763899991 | Kasun 0763746542 | Pavan 0765371809 | Thisanka 0768617546

For fees, charges, commissions, consult handling procedure and further details, please visit www.sampath.lk or inquire at any Sampath Bank branch.

www.sampath.lk

Marketing communication campaign on solar energy loan scheme.



Despite the fact that our business activities have very little impact on the environment, we believe that pledging support to minimise the loss of the earth's natural capital can help to strengthen Sampath Bank's position as a sustainable bank.

NATURAL CAPITAL

▶ GRI - 306-2

Expanding Paperless Operations



- Launched Sampath Green HR initiative which saw a number of key HR processes being digitised.
- Rolled out the “Vidvan” e-learning management platform as well as the Microsoft 365 suite, which together have been responsible for a substantial reduction in the average annual paper usage recorded by the Bank.
- Implementing a digital archiving system to record and store customer/office data.
- Streamlining internal communications with E-mediums (E-circulars, E-forms, E-board papers).
- Launch of Sampath Document Approval System (SDAS).

Promoting Resource Efficiency



Energy Reduction Initiatives;

In Branches

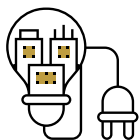
- Invested Rs 12.2 Mn in new rooftop solar installations at Piliyandala, Tissamaharama and Anuradhapura Super branches.
- Continued with the programme to install LED lighting solutions and commission inverter air conditioning units across the branch network.
- Commissioned reflective exterior glass panelling at branches.

In Head Office

- Commissioned ‘Smart Technology Magnetic Bearing Chiller’ to replace conventional air conditioning systems.
- Installed motion sensors in the washrooms and motion detectors in corridors.

2,678 kWh

Energy Intensity Ratio (Head Office) 2020 - Electricity consumption per employee per annum



Savings From			
	Waste Paper	Digital Products	
	Paper Recycling	Slip-less Banking	Cash Deposit Machines
	885 Trees	65 Trees	362 Trees
	Oil 91,321 Litres	Oil 6,701 Litres	Oil 37,336 Litres
	Electricity 208,140 kWh	Electricity 15,272 kWh	Electricity 85,096 kWh
	Water 1,653,672 Litres	Water 121,336 Litres	Water 676,088 Litres
	Landfill 156 m ³	Landfill 11 m ³	Landfill 64 m ³
	Reduce GHG emission by 52,035 kg of carbon equivalent	Reduce GHG emission by 3,818 kg of carbon equivalent	Reduce GHG emission by 21,274 kg of carbon equivalent

Note: Figures confirmed by Neptune Papers (Pvt) Limited.

▶ GRI - 302-1,2,3,4

	Energy Consumption				
	Sources: Renewable & Non-Renewable				
	Electricity	Heating	Cooling	Steam	Solar Power
Consumption	3,170,946 kWh (Head Office)	No	No	No	No
Sold	No	No	No	No	No
Reductions/ Savings	98,529 kWh (Head Office)	-	-	-	251,908 kWh
Using any standards/methodology and assumptions used	: No				
Using any conversion rates	: No				
Energy used outside of the organisation	: No				

Solar Power Generation at Branches 2020		
Branch	System Capacity (kW)	Saving (kWh)
Colombo Super	35.0	41,039.8
Kalutara	32.0	44,554.0
Negombo Super	42.2	63,286.0
Narahenpita	28.0	39,780.3
Wellawatte Super	30.5	36,141.9
Piliyandala	39.4	11,930.0
Tissamaharama	20.0	5,100.0
Anuradhapura Super	36.5	10,076.1

Water Management

▶ GRI - 306-1

Being a service organisation, water is not a material topic to Sampath Bank. Water is used primarily for the utility and sanitisation requirements of our employees. Continuous awareness programmes are carried out to encourage employees to conserve water.


Water Discharged and Saving (Head Office)		
	2020	2019
Water discharged	30,748 m ³	38,844 m ³
Water source: National Water Supply and Drainage Board		
Reduction of water usage: 8,096 m ³ (2020)		

Measuring GHG Emissions

▶ GRI - 305-1,2,3,4,5,7



Undertook to prepare Sampath Bank's annual Greenhouse Gas (GHG) emissions inventory report for the 7th consecutive year. Covering all Bank operations including Head Office and all 229 branches, the GHG calculation for 2020 was conducted in accordance with ISO 14064-1:2006 and was carried out by RR Associates (Private) Limited, a leading environmental service provider in Sri Lanka.



Carbon Footprint Calculation

Assessment Type : Organisational Greenhouse Gas Assessment

Applied Standards : ISO 14064 - 1:2006 Fifth assessment report (5AR) of IPCC,2006

The Greenhouse Gas Protocol : A Corporate Accounting and Reporting Standard (revised edition), WRI/WBCSD

Reporting Period : 01.01.2020 – 31.12.2020

Base Year : 2019

Scope	GHG Emissions (tCO ₂ e) in 2020			
	Total Emissions	CO ₂	N ₂ O	CH ₄
Direct GHG Emissions (Scope 1)	354	352	2	0.1
Indirect GHG Emissions (Scope 2)	5,350	5,350	-	-
Other Indirect GHG Emissions (Scope 3)	3,434	3,401	26	7
Total GHG Emissions	9,138	9,103	28	7
GHG Emission per Employee	2.3			

	2020	2019	Reduction
Total GHG Emissions (tCO ₂ e)	9,138	11,057	1,919

Note: Figures confirmed by RR Associates (Pvt) Limited.

Ongoing Improvements to Strengthen the Environmental and Social Management System (ESMS)



- ▶ Conducted an online webinar session to educate branch managers, relationship managers, regional managers, zonal managers and heads of lending units on the importance of conducting an environmental due diligence on loan proposals.

Special Projects



- ▶ **Contribution to the Wildlife and Nature Protection Society of Sri Lanka:**
An ongoing effort that reflects the Bank's commitment to support national environmental protection and conservation initiatives.
- ▶ **Biodiversity Conservation Project:**
A long term project to lend support to Biodiversity Sri Lanka's efforts to restore ten hectares of degraded forest land in the Halgahawala forest reserve in Opatha in the Galle district.
- ▶ **White Sandalwood Tree Planting Project:**
A project to plant and maintain 360 White Sandalwood plants at the Sri Lanka Air Force station, Weerawila in order to increase the forest cover in the area.



White Sandalwood Tree Planting Project.

ENVIRONMENT PLEDGE

I will make every endeavour to turn the earth a greener, healthier and better place for all living beings.

I will do my part by helping to preserve natural composition of air, water, soil and fauna and flora.

I am committed to Recycle material, Reuse products, Reduce energy consumption and Manage disposal of garbage to ensure low emission of harmful substances to air, water and soil since I believe that small positive changes can make a vast difference.

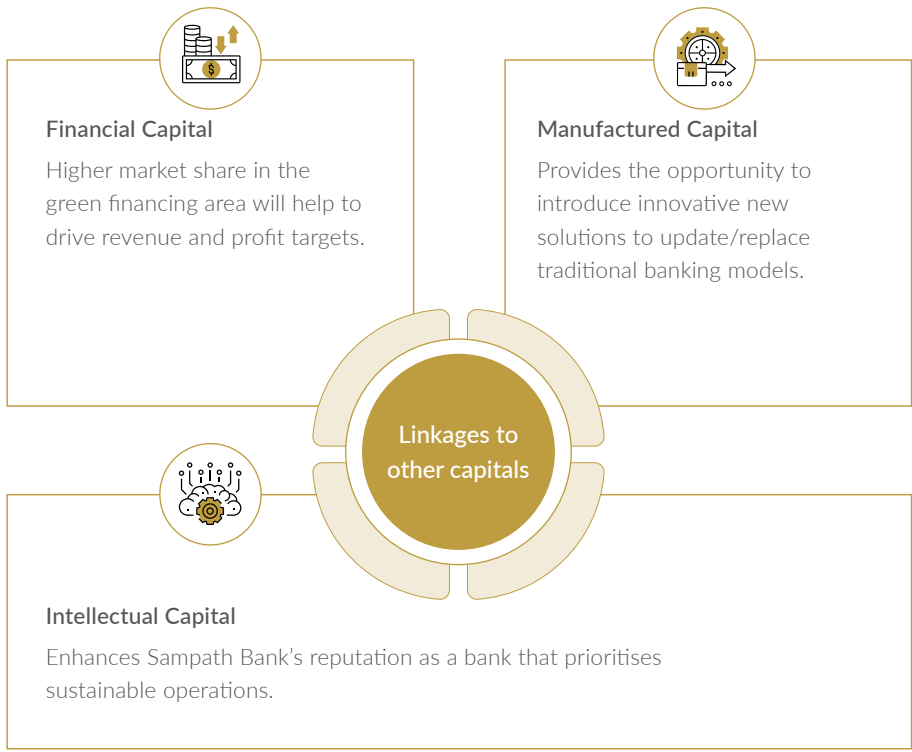
I promise to uphold eco friendly values and a cyclic lifestyle to achieve my mission.

I also make it a point to educate and influence those around me in order to preserve the natural beauty of earth and its resources for the future generations.




Environment Pledge of Sampath Bank.

NATURAL CAPITAL



Proposed Action for 2021

As a Signatory Bank of Sustainable Banking Initiative (SL-SBI), Sampath Bank will continue to focus on:

- > Promoting Green Financing to minimise and mitigate our environmental impact.
- > Responsible consumption of resources to reduce our carbon footprint.

Environmental CSR Initiatives:

- > Tree planting programme for school children.

A Million Promises

BUSINESS REPORTS

Since inception, Sampath Bank has delivered a wide range of products and services to cater to a nation's needs. Our ever-evolving portfolio promises a future of value for Sri Lankans across the island.

Consumer Banking	82
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CONSUMER BANKING

During 2020, Sampath Bank raised Rs 71 Bn in term deposits and as at 31st December 2020, the term deposit portfolio accounted for 59% of the total deposit portfolio. This points to the success of the Bank's strategy to focus on mobilising term deposits with a long term tenure.

Deposits

Operating Context

Despite having started off on a positive note, the year 2020 proved to be one of the most challenging times in Sri Lanka's recent past as the COVID-19 pandemic started to define the local business environment from March 2020.

With major disruptions to the normal course of business and the demand for credit at an all-time low, the banking sector was left dealing with a severe excess liquidity throughout much of 2020. Also contributing to the excess liquidity situation was the CBSL's decision to reduce the SRR to 4% in March 2020 followed by a further 2% reduction in June 2020. While the decision to reduce the SRR was done with the expectation that banks would lend to COVID-19 affected businesses, this did not materialise as expected with many Bank's adopting a more prudent lending approach amidst rising NPL pressure.

The CBSL's decision to relax exchange control regulations to encourage foreign currency inflows through the banking system was another contributory factor for the excess liquidity in the market from April 2020 onwards.

The CBSL also cut policy interest rates several times in quick succession over the period, which saw the Standing Deposit Facility Rate (SDFR) drop a total of 250 basis points to 4.50% as at 31st December 2020 from 7.00% a year ago.

Strategic Responses

As was the case across the industry, Sampath Bank too was placed in a difficult position due to excess liquidity, which led to a complete rethink of the planned deposit mobilisation strategy. Stemming from this, it was decided against aggressive deposit taking activities from the second quarter.

Nonetheless, Sampath Bank does continue to attract a fair share of deposits each month and this was the case even amidst the persistently low interest rate environment in 2020. As a risk management measure, it was felt that these inflows too should be streamlined in order to reduce the liquidity gap between deposit funding and the Bank's typical long term lending model. With the focus then shifting towards mobilising long term funds, existing term deposit rate structures were revamped in a bid to increase the skew towards longer tenure term deposits.

Furthermore having observed that customers were less inclined to tie up funds in term deposits and more likely to retain funds in easily accessible savings especially during uncertain times, the Bank seized the opportunity to boost CASA volumes and thereby support its long standing objective to source low cost funds. In this regard, the mobile ATM service was launched to allow customers to receive cash during the lockdown period along with the doorstep banking model that was initiated in partnership with the 'PickMe', enabling cash withdrawn from the ATM to be delivered to the doorstep of a customer.

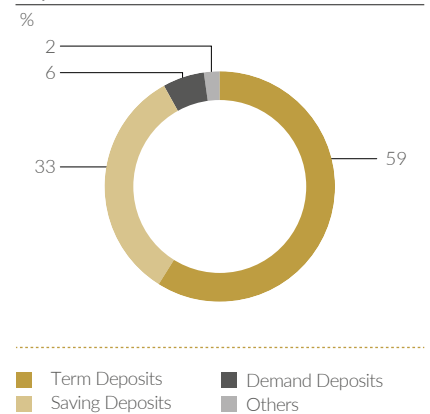
A series of specialised cash management solutions were also initiated for the benefit of corporate customers and high net worth individuals.

Performance Outcomes

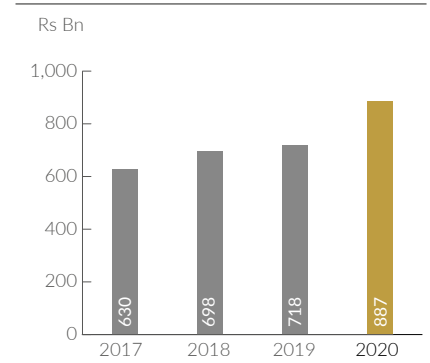
During 2020, Sampath Bank raised Rs 71 Bn in term deposits and as at 31st December 2020, the term deposit portfolio accounted for 59% of the total deposit portfolio. This points to the success of the Bank's strategy to focus on mobilising term deposits with a long term tenure.

The Bank's CASA ratio too recorded a year on year improvement of 410 basis points which pushed up Sampath Bank's year end CASA ratio to 39.3%, well above the industry average of 34.5%. Among the various savings propositions, general savings reported a notable growth, which no doubt is thanks to the value additions offered to customers in response to the COVID-19 lockdown.

Deposit Mix



Total Deposits



Way Forward

Given that it is quite likely that the excess liquidity scenario will continue for some time to come, Sampath Bank's deposit mobilisation strategies for the next 12 - 18 months will remain largely unchanged. CASA growth would therefore be the main priority. Encouraging customers to move their term deposits into the longer tenure format will also remain an important item on the future agenda.

Loans and Advances

Operating Context

With signs of a gradual economic rebound evident towards the end of 2019, it was widely expected that 2020 would bring the long awaited boost for local businesses. However, market conditions changed abruptly following the COVID-19 outbreak in March 2020 causing widespread uncertainty about business prospects. Furthermore, with the survival of certain sectors of the economy coming into question, the resulting credit slump was only to be expected. With the credit appetite on the decline, it was no surprise to see stiff competition among banks to capture what limited lending opportunities were available in the market.

The year 2020 was a difficult one for the local banking sector as its retail lending model came under additional pressure due to the special policy measures adopted and concessions granted by the government to bring relief to COVID-19 affected businesses and individuals, such as the decision to halt non-essential imports and the rate caps imposed on pawning advances.

Ongoing revisions to the loan-to-value ratio (LTV) have long been a cause for concern, given its inevitable impact on the banking sector's leasing business. However, as per the Banking Act Direction No. 04 of 2020, pushing up the LTV in

respect of locally assembled motor cars, SUVs and vans to 70% from 50%, with effect from May 2020 was a welcome change.

Strategic Responses

All key elements of Sampath Bank's retail lending model were challenged by the pressures arising from the external environment during the course of 2020. The leasing business which had shown signs of picking up in the early part of the year was dealt a massive blow by the restrictions on vehicle imports announced as part of the COVID-19 monetary policy control measures. Amidst these limitations, Sampath Bank was quick to take advantage of the LTV upswing in order to stimulate the demand for locally assembled motor vehicles. To deepen the penetration into the registered vehicle market, it was decided that the Bank should begin offering more structured leasing solutions designed to match the cash flows of individual customers rather than the standard rate grid offered in the past.

The demand for housing loans meanwhile, which had been on the rise in the first few months of 2020, fell sharply as organisations across various sectors announced salary cuts and furlough schemes in a bid to cope with disruptions caused by the COVID-19 lockdown. However, as the CBSL's accommodative monetary policy measures appeared to reignite the demand for housing loans from mid-2020, Sampath Bank began to aggressively promote its "Flexible Housing Loan Scheme" in an effort to grow market share in the housing loan segment.

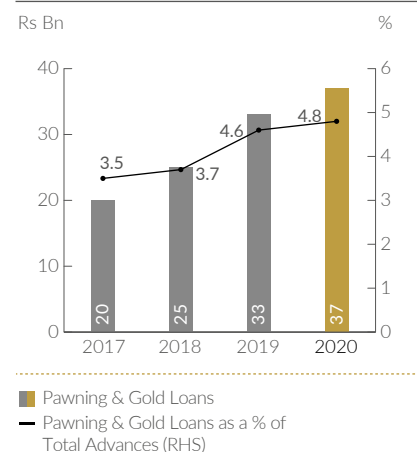
While the COVID-19 relief measures including the debt moratorium granted by the government proved to be a major challenge for the Bank; it did also present some notable opportunities as well. Following the government's announcement of the Saubhagya COVID-19 Renaissance facility offered at a concessionary rate of

4% for COVID-19 affected businesses and individuals, a strong uptick in the demand for personal loans was evident. While taking necessary action to assist eligible customers to access the Saubhagya scheme, in parallel the Bank also began promoting other refinance schemes available under SMILE III, e-friends III etc.

Moreover, seeing a strong demand for instant funding options immediately after the COVID-19 lockdown restrictions were lifted in May 2020, the Bank stepped up efforts to deepen the penetration into the pawning segment. Leveraging on the government mandated lower interest rate for pawning advances, the Bank accelerated efforts to grow island-wide volumes. At the same time mindful of the market risk, a new three-month gold loan product was introduced to take advantage of the gold prices in the international market. The new product which offers a significantly higher advance quantum was rolled out in mid-2020. A fully fledged Pawning and Gold Loan Management system was launched in June 2020 to streamline processing requirements and improve service delivery times. Additional system developments were also done to give pawning customers ATM access.

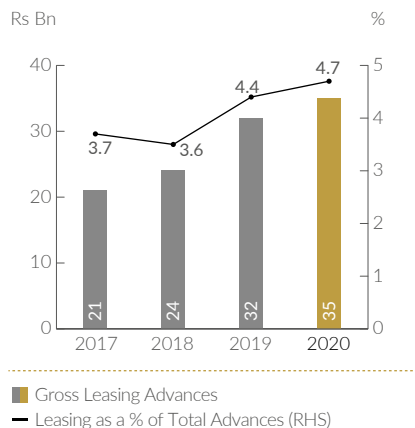
Performance Outcomes

Pawning & Gold Loans



CONSUMER BANKING

Leasing Advances



Way Forward

With the government further extending the vehicle import ban until March 2021, it is quite likely that Sampath Bank's loans and advances model will remain under pressure for some time to come. However there are some visible opportunities that the Bank will look to capitalise on, going forward. These include the pawning and housing loan segments which have proven to be significantly more resilient than other lending models.

Cards

Operating Context

With the typical consumer spending patterns disrupted as a result of the COVID-19 pandemic, Credit Card usage in the country remained unpredictable throughout 2020. To add to this, frequent regulatory directives issued by the CBSL as part of its COVID-19 relief package, also hampered the normal course of Credit Card activity. The first such directive issued in March 2020 caused some major challenges for credit card operators; a maximum 15% interest was imposed on all local credit card transactions up to Rs 50,000/-, while the minimum monthly payment was halved and the repayment period for outstanding amounts was extended until 30th April 2020. Furthermore, the late fee charge was waived-off until 30th September 2020. On the other hand, the CBSL's decision to revise credit card interest rates by capping at 18% with effect from 1st September 2020, was meant to stimulate consumer spending.

Strategic Responses

Sampath Bank's Credit Card operation too came under pressure as new acquisitions came to a standstill during the COVID-19 lockdown in March, April and May and then again in the fourth quarter. Meanwhile settlement delays due to the restrictions imposed by the CBSL directives brought fresh worries in the form of higher NPAs. Amidst this backdrop, the Card Centre offered a series of special relief measures as part of a broad-based strategy to minimise the default risk to the Bank. Accordingly, Sampath Bank Credit Card customers were given an extension on the settlement date well beyond the government mandated 30th April deadline, along with flexible repayment plans being offered to those who requested for additional relief in settling their card outstanding balances in these difficult times.

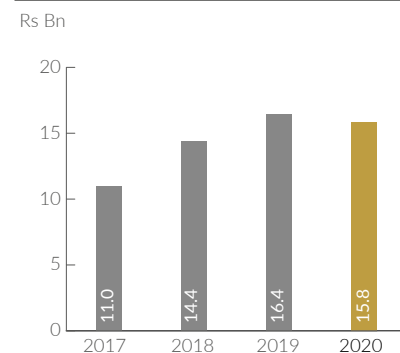
Meanwhile in a bid to boost transaction volumes during the lockdown period, special emphasis was placed on promoting e-commerce transactions. In this regard, steps were taken to encourage customers to make use of the SABS (Sampath Automated Bill Settlement) mechanism to settle their monthly utility bills. These activities were coupled with strict internal cost containment measures aimed at reducing the pressure on the bottom line.

With the gradual revival of spending activity post-lockdown, the Card Centre quickly capitalised on the opportunity to grow new acquisition volumes from May 2020 onwards. Several back to back promotional campaigns including a range of direct discount offers, 0% instalments plans, easy payment schemes, extended settlement plans and cashback offers were run from May 2020 as part of an aggressive effort to grow transaction volumes. To complement these efforts, the partner network was further expanded with the addition of education and insurance segments, while efforts to grow e-commerce transaction volumes were also further intensified.

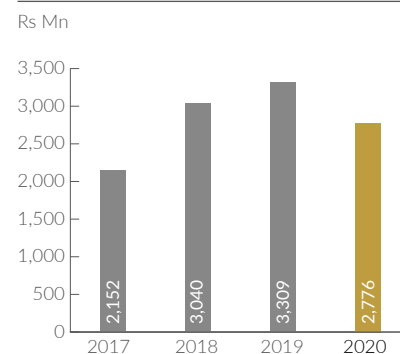
Going forward, the Bank expects to follow a bold approach to position Sampath Cards as an independent Credit Card Brand that can capture a larger share of the market.

Performance Outcomes

Credit Card Advance Portfolio



Cards Related Commission Income



Way Forward

Going forward, the Bank expects to follow a bold approach to position Sampath Cards as an independent Credit Card Brand that can capture a larger share of the market. Leveraging on the Bank's legacy of 33+ years and digital superiority, the Card Centre expects to develop a dynamic new card proposition that can be supported on multiple digital platforms to offer the user a choice of convenient payment solutions.

Bancassurance

The 2020 was unusually challenging for the Bancassurance operation especially given its reliance on the Bank's vehicle leasing business. The weak appetite for unregistered vehicle leasing meant the demand for Bancassurance deteriorated significantly in the year under review. The demand for new insurance was further affected by the Bank's decision to aggressively pursue leaseback arrangements. Under the leaseback arrangement, the Bank takes over an existing leasing facility from another institution which invariably has an insurance cover in place and therefore bears no insurance opportunity for Bancassurance.

To add to this, the directives issued by the Insurance Regulatory Commission as part of its COVID-19 relief measures, also had a bearing on the prospects of the Bancassurance business in 2020. The income flow of the Bancassurance operation was severely affected following the special announcement made by the regulator in April 2020 giving general insurance policyholders a three months extension period for the payment of premiums if their payment date falls within the period between 1st March 2020 to 30th June 2020.

However, the most severe impact was due to the regulatory directive preventing Banks and financial institutions from changing agent codes without express written consent of the original agent. The directive which came into effect in September 2020, saw the Bancassurance Department's average conversion drop drastically in the last quarter of the year.

In light of the above challenges, a concerted effort was made to expand the network of insurance partnerships in a bid to increase the number of direct referrals. Some definite steps were also taken to enhance the Bancassurance value proposition offered to the customer.

As a result of the prompt and decisive action taken in the face of unprecedented challenges, Sampath Bank's Bancassurance operation registered a solid performance well above the budgeted expectations for 2020.

A concerted effort was made to expand the network of insurance partnerships in a bid to increase the number of direct referrals. Some definite steps were also taken to enhance the Bancassurance value proposition offered to the customer.

CORPORATE BANKING

Following the COVID-19 relief measures announced by the government, Sampath Bank was quick to extend its support to customers eligible for the Saubhagya COVID-19 Renaissance Facility.

Corporate Credit Operating Context

The strong economic rebound in the latter part of 2019, after the devastating effects of Easter Sunday attacks earlier in that year, set the stage for robust growth prospects in 2020. Greater political stability after the November 2019 presidential election which contributed towards improved business confidence, also put the country on track to accelerate its growth trajectory in 2020. However, the first wave of COVID-19 which erupted in Sri Lanka in March 2020 proved to be an unexpected challenge in achieving the country's growth objectives.

Strategic Responses

With a clear economic revival evident right from the start of the year, Sampath Bank entered 2020 on an optimistic note and in readiness to support industries recovering from the setbacks of the previous year. The excess liquidity situation created by the SRR reduction in March 2020 provided an opportunity for the Bank to lower its lending rates and pass on the benefit to the customers, thereby helping them to substantially reduce their finance cost during the period under review.

In addition, following the COVID-19 relief measures announced by the government, Sampath Bank was quick to extend its support to customers eligible for the

Saubhagya COVID-19 Renaissance Facility which was offered at a concessionary rate of 4%. Also immediately after the announcement of the debt moratorium, the Bank began working to accommodate clients' requests for debt relief under the moratorium scheme. With strong emphasis placed on supporting existing customers to ride out the difficult times, all Relationship Managers continued to engage with their client base in an advisory capacity to ascertain their cash flow positions and assist COVID-19 affected businesses to manage their day-to-day cash flows. Moreover, taking advantage of the high liquidity levels, the Bank continued to offer low cost funding solutions, often providing clients with special structured solutions over and above the government's debt relief package.

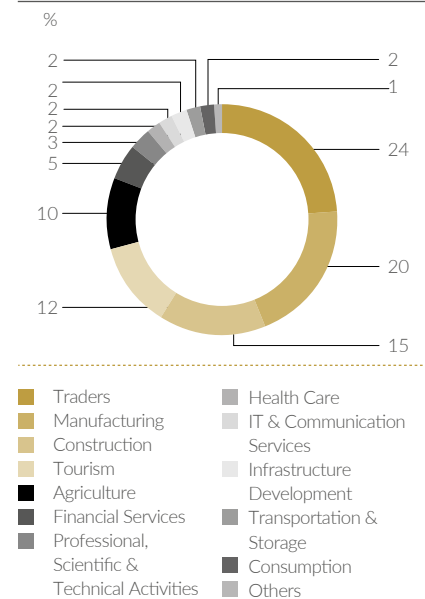
Special measures were also taken to support client requirements during the lockdown period; selected branches were kept open for a limited number of hours in order to accommodate supplier payments, customs duty settlements etc. Having a strong, capable team proved to be an invaluable resource in these challenging times. Notwithstanding the disruptions caused by COVID-19, the staff worked tirelessly to support clients in overcoming their difficulties. This can be attributed to the consistent investments made over the years to build team capacity.


In parallel, strong emphasis was placed on encouraging clients to migrate to digital platforms to enable them to manage their business needs without any disruptions. To support this, the transaction capability of the Sampath Vishwa Corporate platform was further enhanced through the integration of SLPA vessel payments, SAGT and BOI payments etc. In addition, Sampath "Evolve" was launched specifically to enable clients to align their business to the emerging e-commerce marketplace. Evolve is designed to provide a set of tools that a prospective businesses can use to easily create a fully functional e-commerce

website including added functionality such as inventory management, property management and payments. Evolve also supports the deployment and positioning of these newly developed e-commerce websites on the World Wide Web.

Performance Outcomes

Sector-wise Corporate Credit Loan Portfolio





12.8%
Loan Growth -
Corporate Credit

4.8% (2019) ▲ +800 bps

Way Forward

With the country's growth forecasts for the forthcoming year above 3.0%, the agriculture, exports, manufacturing, education, IT and construction sectors have been earmarked as key growth drivers in the year ahead.

As a leading commercial bank in Sri Lanka, Sampath Bank remains fully committed to align with the national development agenda by supporting these industries that are expected to drive the country's GDP growth in FY 2021. The Bank will leverage on its expertise and proven capabilities to expand its range of offerings and deliver robust solutions that cater to diverse needs of businesses within these sectors and their sub sectors.

Corporate Finance

Strategic Responses

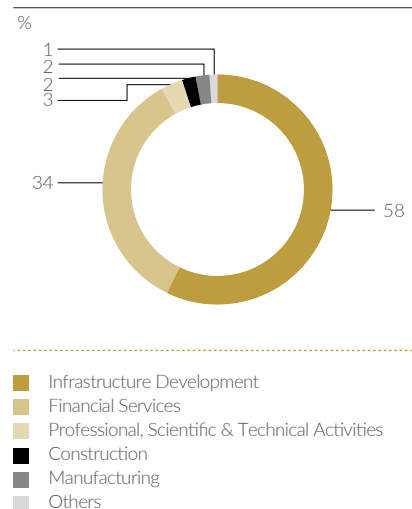
With several aspects of the economy such as infrastructure development as well as financial services, manufacturing and construction sectors taking a hit due to the COVID-19 pandemic, the main priority for Sampath Bank's Corporate Finance Department was to safeguard the quality of its portfolio. Hence it was mandated that a prudent lending approach be adopted to manage direct lending activities in these market segments.

On the other hand, seeing as the renewable energy sector was relatively unaffected by the current scenario, the Corporate Finance Department redoubled its efforts to pursue direct lending in this area. One of the pioneers in renewable energy financing, Sampath Bank has remained steadfast in its commitment to support the sector and thereby earned a reputation as the foremost expert in solar energy financing. This proved to be a significant advantage for the Bank as it took decisive action during 2020 to capitalise on new opportunities generated as a result of recent government-led initiatives to advance the development of sustainable energy. Simultaneously, Corporate Finance also undertook to develop a structured corporate debt instrument for a prominent renewable energy investing company.

Given the economic uncertainty, the demand for Corporate Advisory services was also very limited throughout 2020. The demand for custodian services, which after showing some positive signs amidst an uptick in the local equities at the start of the year, gradually diminished thereafter once the pandemic hit in March 2020. However, the onset of the low interest rate regime appeared to nudge the equity market in the direction of a recovery as fixed income investors began turning to equities for better returns, in turn offering some hope of revival for the Custodian Services model towards the latter part of the year.

Performance Outcomes

Sector-wise Corporate Finance Loan Portfolio



Way Forward

Going forward, the Corporate Finance Department will look to leverage on the country's renewable energy programme to expand its direct lending activities. This will be driven by an aggressive campaign to promote the "Sampath Soorya" Loan scheme, a fully-fledged solar energy solution that includes financing as well as a range of specialised advisory services for SMEs and corporates looking to invest either in roof top or ground solar installations.

Foreign Currency Banking Unit (FCBU)

Strategic Responses

It was a promising start to the year for Sampath Bank's Foreign Currency Banking Unit (FCBU), as Sri Lanka accelerated its trading activities after recovering from the backlash of the 2019 Easter Sunday attacks. Regrettably however, any progress made in 1Q2020 quickly evaporated in the face of the COVID-19 pandemic that caused unprecedented disruptions in overseas markets and across global supply chains, all of which had a bearing on local importers and exporters as well as off-shore entities. Prolonged economic lockdowns and transport restrictions announced by many countries had an adverse impact on the global economy and in turn severely affected local business entities. The import ban declared by the government further added to the burdens of these local businesses, leading many to scale down their operations in a bid to cope with the consequences. Amidst this backdrop, the main priority for the Bank's FCBU was to manage such exposures, which were categorised as highly vulnerable risks. Under these circumstances, it was decided that rather than adding to the clients' burdens through new lending, the FCBU should play an advisory role to assist existing clients in managing their cash flows during these trying times. Ongoing engagement with customers through the extensive use of digital platforms enabled the FCBU to continuously monitor these exposures and support business continuity of these entities.

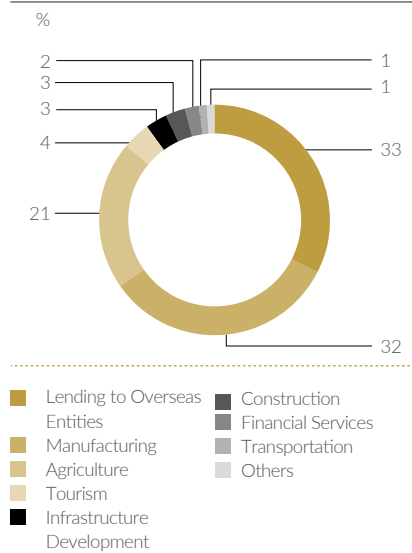
Nonetheless, staying vigilant the Bank did benefit from possible low risk financing opportunities arising out of the COVID-19 crisis. Taking quick action to capitalise on these opportunities, the FCBU was able to make some notable inroads across the Personal Protective Equipment (PPE) value chain. Leveraging on the Bank's digital superiority, all new FCBU clients were onboarded using the Sampath Vishwa Corporate platform, while existing customers too were encouraged to migrate to the platform in order to access the FCBU's services in real time 24/7, 365.

CORPORATE BANKING

As part of the Bank’s overall risk diversification strategy, the offshore lending focus was shifted to trade financing as opposed to CAPEX funding as it was felt that given the current uncertainties in the market, there were a fewer opportunities for low risk offshore CAPEX funding. Consequently, a new trade financing facility was launched in mid-2020, a move that continues to deliver good results.

Performance Outcomes


Sector-wise FCBU Loan Portfolio



Way Forward

Needless to say the coming months would be quite challenging for the FCBU, as the economic impact of COVID-19 is likely to continue for the foreseeable future. There are however a few positives that could work in favour of the FCBU business model. These include diversification of global supply chains, which will likely occur as the dependence on traditional suppliers gradually reduces. It is reasonable to assume that such a scenario will open up considerable opportunities for Sri Lanka’s export sector. However in order to properly harness these opportunities, it is vital that Sampath Bank’s FCBU adopts a multi-pronged approach to secure first mover advantage among these emerging market segments. Furthermore, as the gap between rupee and US Dollar interest rates continues to narrow, it is expected that this will present an opportunity for the FCBU to revisit its offshore lending strategy in due course.

As part of the Bank’s overall risk diversification strategy, the offshore lending focus was shifted to trade financing as opposed to CAPEX funding as it was felt that given the current uncertainties in the market, there were a fewer opportunities for low risk offshore CAPEX funding.



5.7%
Loan Growth - FCBU

4.2% (2019) ▲
+150 bps

SME BANKING

Operating Context

Despite an onslaught of challenges in the recent past, the SME sector has remained resilient and has continued to make an incremental contribution to the country's GDP over the past five years. The SME sector also plays an important role in the provision of direct and indirect employment across the country, further proof that it is a key engine of growth fuelling Sri Lanka's economic progress.

The year 2020 was yet another challenging year for the SME sector, with many segments severely affected by the repercussions of the COVID-19 outbreak. The restrictions imposed on international travel and the closure of the main international airport of the country proved to be a massive blow for SMEs engaged in travel, tourism, leisure and transport businesses who were only just recovering from the effects of the Easter Sunday terror attacks in April 2019. Across the tourism value chain, businesses such as handicraft trade, gems, jewellery and souvenir shops, and laundries etc. were also very badly hit.

Meanwhile the biggest challenges for SMEs catering to the local market, was their inability to achieve planned sales for the April New Year season owing to the 2-month island-wide lockdown. SMEs operating in the manufacturing, trading and FMCG industries were also severely hampered by the government ban on non-essential imports that came into effect from April with the outbreak of COVID-19.

On the other hand, the current situation appears to have paved the way for the emergence of a new breed of SMEs engaged in online retailing, online marketing and home-based online operations. This in turn has heightened the demand for specialised IT and web development services. Interestingly the agriculture sector SMEs whose businesses appeared to be relatively unaffected by the COVID-19 challenges, also continued to thrive throughout 2020.

Strategic Responses

It was a busy year for Sampath Bank's Business Support Centre (BSC), which is charged with managing the SME portfolio. In light of the mixed fortunes in the SME sector, the BSC adopted a two-pronged strategy, firstly to assist stressed clients to manage their liquidity constraints and working capital issues and secondly to capitalise on the opportunity to support new and emerging SMEs in the agriculture, online retailing and IT services.

Aside from providing assistance through the "Saubhagya COVID-19 Renaissance loan scheme" introduced by CBSL for the purpose of providing credit facilities to COVID-19 affected businesses and individuals, Sampath Bank further reinforced its commitment to support customers at this critical time, by taking the initiative to launch the "Sampath Diriya" loan scheme. "Sampath Diriya" is a dedicated loan scheme to enable new startups and existing SMEs involved in manufacturing and export related businesses to access funding at a concessionary interest rate. The loan scheme forms part of the Bank's "Revive Sri Lanka" initiative which is aimed at supporting Sri Lanka's post-pandemic economic recovery. Accordingly, the "Sampath Diriya" scheme offers capital loans and working capital loans to SMEs to meet their business requirements as they strive to get over this period of economic uncertainty.

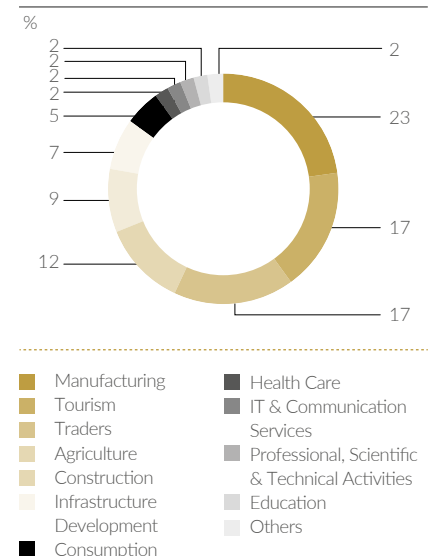
Taking steps to strengthen its digital platforms to cater to the growing needs of the SME segment, the Sampath Corporate Payment System (SCPS) was further improved and positioned to give SME customers direct connectivity for salary payments thus eliminating the delays associated with manual processing. "Evolve" an e-commerce platform was also launched in mid-2020 to enable SMEs, to expand their businesses into online e-commerce model from traditional business models. "Evolve" enables these entities to develop and manage their own e-commerce enabled websites and further enhance their businesses with inventory

management, fulfillment as well as multiple online payment options.

As always the Bank remained committed to continue with its "Sampath Saviya" Entrepreneurship Programme aimed at improving financial literacy and business knowledge of SMEs. Regrettably however, many of the scheduled events could not be held due to COVID-19 restrictions. However, to suit with the new normal conditions and to facilitate the SME sector, the Bank successfully conducted three special webinar programmes on "Business Resilience" targeting the SMEs whose businesses were affected by the COVID-19 outbreak.

Performance Outcomes

Sector-wise SME Loan Portfolio



Way Forward

Given the clear expectation by the government that the SME sector will be a key stakeholder in the country's post COVID-19 economic recovery, Sampath Bank will look to significantly expand its bandwidth in the SME sector in the years ahead. In doing so, the Bank will likely to focus on firming up its position in established SME segments such as agriculture in the near term, while cautiously widening its reach over time to support the development of new and emerging segments such as IT and E-commerce.

GLOBAL BANKING

For Sampath Bank’s International Trade Services business, the main priority was to help clients manage their business requirements amidst these unprecedented challenges. In addition to providing customised trade solutions, the Bank took on an advisory role to assist clients.

International Trade Services

Operating Context

With global trade activities thrown into chaos due to COVID-19 pandemic, the demand for import and export trade services deviated significantly from their usual patterns in 2020.

The import ban introduced by the government was another major factor that influenced the demand for trade services in the year under review. While an immediate slump in demand was noted after the complete ban on all non-essential imports was announced in mid-April 2020, a slight improvement was seen on the back of the gradual easing of import restrictions over the months that followed.

Strategic Responses

For Sampath Bank’s International Trade Services business, the main priority was to help clients manage their business requirements amidst these unprecedented challenges. In addition to providing customised trade solutions, the Bank took on an advisory role to assist clients. Strong emphasis was also placed on promoting digital channels to enable clients to meet their routine trade services requirements

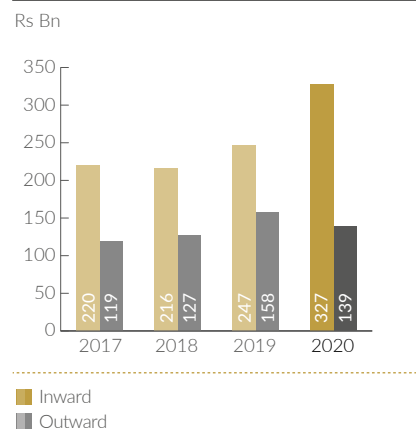
such as Letters of Credit (LC) opening, Telegraphic Transfer (TT) requests etc.

In parallel, a conscious effort was made to capitalise on available opportunities to grow import and export trade volumes. With the government’s decision to allow 180-day credit terms for selected commodity imports proving to be a bottleneck especially for small timers to negotiate with the suppliers for longer credit terms, the Trade team took swift action to assist long standing import clients. Leveraging on established relationships with the Bank’s network of global correspondent banks, it was decided that Sampath Bank would underwrite the credit risk of selected import clients in order to help them minimise supply chain disruptions and maintain the continuity of their business operations.

To capture potential opportunities emerging due to the COVID-19 crisis, the Trade team also initiated a focused campaign to tap into the Personal Protective Equipment (PPE) manufacturers and exporters.

Performance Outcomes

Inward & Outward TT Volumes



Way Forward

Over the coming months, the Bank will continue in its advisory capacity to support clients adjust to the new normal expectations in the post COVID-19 era.

In this regard, the main priority will be to develop more robust digital products and services to allow clients to easily manage their import and export trade services needs online and in real time.

Bank Notes Operation (BNO)

Strategic Responses

Sampath Bank’s Bank Notes Operation (BNO) started the year on a positive note. However the BNO’s prospects weakened considerably thereafter due to the impact of the COVID-19 pandemic. However, leveraging on its well laid down business continuity plan, the Bank was able to provide an uninterrupted service to customers.

At the same time, with COVID-19 pandemic pressurising the authorities into curtailing airport operations, the flow of foreign currency into the country was restricted, while the demand for currency in the market was further dampened by the government’s decision to reduce the currency carrying limit for outbound travellers, all of which saw the BNO’s focus turn towards cost management. In this regard, several internal processes were automated.

Way Forward

The BNO’s near term strategy will depend largely on how the COVID-19 situation pans out over the next 6 - 12 months. In particular, it is hoped that the highly anticipated opening of the Jaffna and Mattala airports will help to boost currency flows into the country and enable the BNO to record a strong improvement in repatriation volumes. In the meantime however, the BNO will look to further improve its internal systems by integrating the work streams of the main BNO Department at head office, the Chatham Street and Negombo collection centers to create a single platform that will offer greater visibility to branches and promote transparency among money exchange partners.

Despite restrictions caused by the COVID-19 pandemic, Sampath Bank was able to maintain its Remittance operation without any interruption, thanks to the Bank's IT capabilities and timely implementation of strategies adopted for seamless business continuation.

Remittance

Operating Context

As was the case for many sectors of the Sri Lankan economy, growth in inward remittances too registered a steady uptick in the first quarter of 2020 before plummeting into negative territory after the COVID-19 pandemic hit. The sharpest decline was seen in April 2020 as the world began adjusting to salary cuts and job losses in the immediate aftermath of the COVID-19 crisis. To add to this, countries were announcing lockdowns and curtailing economic activities, which meant people were unable to access traditional remittances channels. Consequently FinTechs with their digital solutions, were seen stepping in to bridge the gap.

A culmination of these factors led to a sizable drop in the remittance flows to Sri Lanka in the first half of 2020. While the country's total remittance inflows for April 2020 was 32% lower than what was reported in 2019, a notable rebound was evident during the latter part of 2020.

Strategic Responses

In light of the unprecedented challenges arising out of the COVID-19 situation, Sampath Bank's main priority was to take advantage of available opportunities in the market, which saw the Bank promoting digital remittance solutions for those under lockdown restrictions as an alternative to traditional channels. Digital remittance solutions offer some notable benefits for the recipients as well; for example it is an entirely more convenient option as the direct account credit eliminates the need to visit the Bank counter.

Apart from the benefits to the sender and the receiver, digital remittance solutions enhance the Bank's ability to elevate its own service standards. It also boosts Sampath Bank's efforts to contribute to the national initiative to reduce the volume of counter payments and thereby promote the savings culture among grass root level communities who are often the recipients of these inward remittances.

With most global economies beginning to lift lockdown restrictions, the Bank also renewed its focus on traditional channels from mid-2020 onwards. To complement these efforts, the Bank initiated to develop a dynamic new online tool allowing senders to access a range of information regarding the Bank's remittance service and agent network in a particular region. Once the new online tool is rolled out in 2021, it is hoped that by the use of it customers would over time be encouraged to migrate from traditional channels to more efficient and cost effective digital remittance solutions.

Meanwhile in an effort to make the remittance service a more mainstream offering for migrant workers, the bill payment solution was rolled out in selected corridors.

The Bank also continued with its long standing capacity building initiatives conducted in partnership with the Bureau of Foreign Employment. These initiatives aim to reach out to migrant workers before they leave to take up overseas employment opportunities.

Performance Outcomes

Despite restrictions caused by the COVID-19 pandemic, Sampath Bank was able to maintain its Remittance operation without any interruption, thanks to the Bank's IT capabilities and timely implementation of strategies adopted for seamless business continuation.

These factors helped the Bank to achieve a significant growth in the remittance business volumes which resulted in a sizable improvement in the Bank's market share for 2020.


Way Forward

With the strategy to focus on digital solutions delivering better than expected results during 2020, it appears that this will be the way forward for Sampath Bank's remittance model. While building on the success achieved thus far, the Bank will look to further enhance its digital remittance value proposition in keeping with the evolving needs of customers in the years ahead.

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TREASURY

Operating Context

The Sri Lankan economy which appeared to be reaching some stability at the start of the year, quickly reversed direction after the COVID-19 pandemic hit the country in March 2020. To mitigate the economic fallout from the pandemic, the CBSL reduced the Statutory Reserve Ratio and lowered monetary policy rates in quick succession, all in an effort to encourage banks to lend. However with limited lending opportunities in the midst of the pandemic, liquidity levels across the banking sector shot up instead.

At the same time, the interest rate caps imposed on the subscription of treasury bills and bonds altered the demand and supply dynamics of the local money market.

Some notable volatility was observed in the interbank FX market as well, especially in the first two quarters of 2020. This was primarily due to large outflows from the local bond and equity markets during the early months of 2020. Stemming from this, forward premiums declined to its lowest levels in over a decade and on occasion even reached negative territory. Volatility in the forex market continued into mid-2020 as capital outflows began moving out at a faster pace amidst concerns regarding the COVID-19 impact on emerging markets. In a proactive response to curb the situation, the CBSL commenced carrying out forex operations, while simultaneously declaring import controls in a bid to stabilise the currency trading activities which were severely affected due to the loss in tourism earnings. These measures proved successful in containing the depreciation of the Rupee. And with the government deciding to extend the import restrictions for a further 6-month period to support the exchange rate until at least the end of 1Q2021, the LKR recorded only a slight 2.3% depreciation during the year from Rs 181.35 at the start of January 2020 to Rs 185.50 by 31st December 2020.

Strategic Responses

On the back of large capital outflows from the local capital market in the first few months of the year, Sampath Bank's Treasury seized the opportunity to augment its treasury bill portfolio in the first quarter of 2020, a timely move that enabled the Bank to benefit from mark-to-market gains and record some notable capital gains later on in the year.

At the same time, seeing the volatility in interbank FX markets and anticipating the drop in forward premiums in the first six months of the year, the Treasury focused on improving both exchange income and capital gains to boost the prospects of the forex business in the third and fourth quarters of 2020.

The BNO operation meanwhile, remained under severe pressure due to the low level of currency circulation in the country following the government's decision to restrict airport operations with effect from mid-March 2020.

On the liquidity front, the Treasury adopted a proactive approach to overcome excess liquidity witnessed at the onset of the CBSL's monetary policy measures in March/April 2020 and regularised the Bank's overall liquidity position in line with statutory requirements.

And with the COVID-19 situation affecting the daily workflow systems, several important steps were also taken

to strengthen emergency preparedness, among them the decision to relocate the Treasury DR site to a remote site to ensure business continuity.

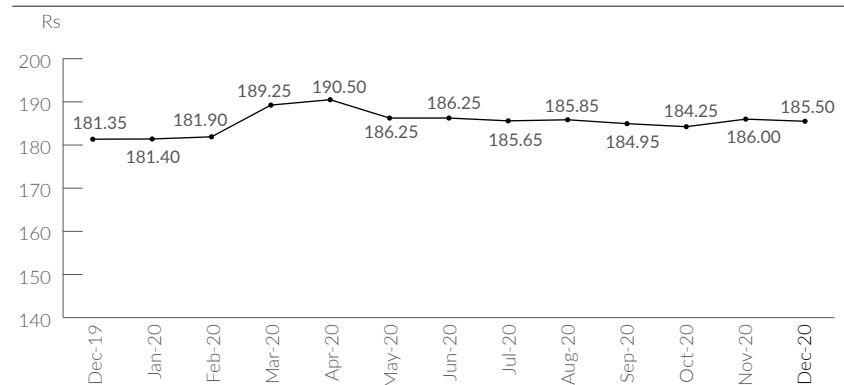
Performance Outcomes

With the COVID-19 pandemic dictating the course of business in 2020, Sampath Bank's Treasury portfolios reported mixed results. The Fixed Income securities portfolio registered a strong performance thanks to timely action by the Treasury to grow the Sri Lanka Sovereign Bond portfolio which helped boost the NIM. Moreover, with interest rates on the declining trend, the Treasury seized the opportunity to record significant capital gains and mark-to-market gains in the Government Securities portfolio. On the other hand, the negative USD/LKR premiums, which was an unprecedented occurrence, had a material impact on the forex profits in 2020.

Way Forward

Moving forward, the downward trend in interest rates will likely to have a bearing on the Government Securities' yields in 2021. Sri Lanka's rating downgrade too is sure to have a significant impact as it will mean the Forex money market will present limited borrowing opportunities. At the same time, the continuation of import restrictions currently in force will further curtail activity in the FX markets. However, it is hoped that higher currency inflows from exports and remittances will help ease the pressure over the medium term.

USD/LKR Movement in 2020



OPERATIONAL SUPPORT

Network Services Centre (NSC)

The NSC provides mission critical support for the Bank's cheque clearing process as well as for managing the Sampath corporate payment system. There are several other functional support activities that also come under the purview of the NSC, including daily reconciliations of electronic payments, ATMs, e-statements etc. as well as the printing of customer cheque books and customer statements.

With the COVID-19 situation presenting some unusual challenges, the NSC was compelled to rethink its traditional work methods and take proactive measures to maintain the smooth flow of day to day operations especially during the lockdown period. Most notable among them were the NSC's efforts to accommodate cheque clearing activities to be done at selected branches, which would otherwise have been done centrally.

The NSC's functional support role was also further expanded in 2020. Consequently, the individual product reconciliations which were previously handled by the respective business lines were brought under the NSC's control, a move that has helped to greatly improve the efficiency with which such reconciliations are performed.

Central Cash Department (CCD)

The CCD continues to play a vital role in balancing the cash position across the Bank's branch network as well as ensuring that the Bank's ATMs function at optimal efficiency and minimise downtime due to the non-availability of cash. Thanks to the cash forecasting tool implemented in the previous year, the CCD was able to maintain maximum loading efficiency across the ATM network resulting in an average of 98.2% machine uptime throughout the year, including during lockdown periods.

Meanwhile the central night safe register and the vault movement register were converted to digital formats. With the implementation of this new system, branches are now only required to enter the denominations that they send to the head office to enable automatic updating of the core banking system.

Recoveries

The Recoveries Department continues to play a vital role in safeguarding the Bank's bottom line and long term profitability. With the NPA monitoring programme initiated in the previous year delivering the expected results in terms of a sizable NPA reduction, the Bank moved swiftly to roll out the next phase of its NPA Management Plan targeting NPA prevention.

However, amidst the complications arising from the COVID-19 pandemic, it was felt that a new broad-based strategy would be appropriate in order to address the issue of NPA more holistically in the current context. Accordingly, measures undertaken during the year were based on four strategic themes;

1. Supporting customers through the debt moratorium:

The Recoveries Department continued to play an active role in the interpretation and implementation of the "Credit Support Scheme to Accelerate Economic Growth" especially designed to assist SMEs in difficulties and the debt moratorium scheme, declared by the government as part of its COVID-19 relief measures. While no aggressive recovery action was pursued during the moratorium period, the Recoveries Department began working closely with clients to develop customised settlement plans that will allow them to meet their obligations during and after the end of moratoriums.

2. Increasing supervisory control over recoveries:

The departmental structure was broad-based to improve the Bank's preparedness to support clients facing difficulties due to the economic downturn. Accordingly, the existing supervisory structure was changed and Zonal Recovery Heads were appointed to tighten ground level recovery oversight and to facilitate proactive decision making. The primary objective here was to provide special attention and offer appropriate timely solutions to borrowers operating under stress conditions. Meanwhile additional resources were provided to strengthen the Bank's legal team including the appointment of a separate dedicated Deputy General Manager.

3. Investing in digital tools to enhance monitoring:

Building on the efforts initiated in the previous year, the predictive analysis mechanism was further expanded in 2020, while work also began on developing a new more robust early warning signals identification system. Further, a good progress was made in digitising of the Bank's entire recovery model, with phase 1 of the software upgrade successfully completed and the live roll out activated in the latter part of 2020.

4. Outsourcing non-core aspects of the recovery process:

In a bid to allow the Recoveries Department to prioritise its activities, it was decided to outsource certain non-core aspects of the Bank's recovery model. As such the daily patrolling of foreclosed assets was outsourced to an independent third party, while the assistance of land sales companies was sought to manage the sale of foreclosed assets.

PERFORMANCE OF SUBSIDIARIES

►GRI - 102-45

Amidst these challenging conditions, Siyapatha demonstrated its resilience by recording a pre-tax and post-tax profit of Rs 678 Mn and Rs 409 Mn respectively for 2020.

Siyapatha Finance PLC

Siyapatha Finance PLC (Siyapatha), is a fully owned subsidiary of Sampath Bank PLC. First established in March 2005 as Sampath Leasing & Factoring Limited, the Company's brand presence was rejuvenated in 2013 as a new entrant to the licensed finance company regime.

The year 2020 was a challenging one for the country's financial services sector, which came under pressure due to the economic slowdown triggered by the COVID-19 pandemic. The downturn in economic activity threatened credit growth and overall credit quality, leaving the sector to navigate its way through various government relief measures aimed at supporting COVID-19 affected businesses and individuals. These measures coupled with a low interest rate environment, slow credit growth and risk of higher non-performing loans exerted further pressure on the net interest margins of financial institutions. Amidst these challenging conditions, Siyapatha demonstrated its resilience by recording a pre-tax and post-tax profit of Rs 678 Mn and Rs 409 Mn respectively for 2020. The Company's gross lending portfolio recorded a marginal growth of 1.8% to reach Rs 38.6 Bn by the year end. However, due to the reasons mentioned above, the impairment charge on financial assets increased by Rs 305 Mn (29%) compared to the previous year.

In December 2020, Sampath Bank made a capital infusion of Rs 700 Mn to the Company to strengthen their capital base and to meet the capital adequacy requirements.

Sampath Centre Limited

Sampath Centre Limited was established in 1996 as the first subsidiary of the Bank. The Company owns and manages the building at No. 110, Sir James Peiris Mawatha, Colombo 02, which houses the Bank's head office. Rental income earned by leasing out the building space is the main source of income of the Company. At present Sampath Bank occupies all eight floors of the building.

The Company made a pre-tax profit of Rs 226 Mn for the year 2020 compared to Rs 352 Mn in 2019, a year on year decline of 36%. This decline is mainly attributed to the 91% decrease in fair value gain and a 77% reduction in other operating income. Post-tax profit for the year declined to Rs 211 Mn in 2020 from Rs 296 Mn reported in the previous year. Total asset base of the Company increased by 8.6% from Rs 6.7 Bn as at end 2019 to Rs 7.2 Bn by the reporting date. The main asset of the Company is the property situated in Colombo 02 which is currently under construction of six additional floors, proposed to be completed in 2021 with improvements to the existing 8 floors as well.

SC Securities (Private) Limited

SC Securities (Private) Limited is a fully owned subsidiary of Sampath Bank. The Company is a licensed member of the Colombo Stock Exchange and has been operating in Sri Lanka's capital market since 1992.

Despite the economic and health challenges caused by the COVID-19 pandemic and the Colombo Stock Exchange (CSE) being closed for several weeks during the initial lockdown period, the CSE recorded its best performance since 2015. The All Share Price Index (ASPI) improved by 10.52%. Total market turnover increased to Rs 397 Bn in 2020 from Rs 171 Bn reported in 2019, reflecting a year on year growth of 132%, while total market capitalisation reached Rs 2,961 Bn and the turnover

to market capitalisation ratio improved to 13.4% in 2020 from 6.0% in 2019. The expansionary monetary policy adopted by the Central Bank, political stability, policy consistency and revival of local manufacturing industries were the driving forces behind this exceptional performance.

SC Securities too recorded a significantly improved performance in 2020. Brokerage income increased to Rs 217.6 Mn in 2020 from Rs 46.5 Mn reported in 2019, while post-tax profit for the year rose to Rs 109.3 Mn from Rs 7.5 Mn reported in the previous year. These achievements are due to combination of the strategic decisions taken by the management, as well as the proven track record of the Company's investment advisors and research teams which attracted many new potential investors.

Sampath Information Technology Solutions Limited

Sampath Information Technology Solutions Limited (SITS) is another fully owned subsidiary of Sampath Bank PLC. Specialising in Systems Integration, SITS provides end-to-end integration services and consultancy for business transformation. Managed Services, Software Solutions, and Enterprise Solutions are the key pillars of the business. Backed by a track record of over thirteen years, SITS has proven itself as one of the best in the industry with the right set of skills and the knowledge base to deliver and maintain ICT infrastructure.

The Company recorded impressive growth in 2020 which translated into pre-tax profits of Rs 112 Mn for the twelve months ended 31st December 2020. This reflects year on year growth of 62% from pre-tax profit of Rs 69 Mn reported in 2019. Post-tax profit also grew by 31% year on year to reach Rs 74 Mn in 2020, the highest ever profit recorded by the Company in its thirteen-year history.

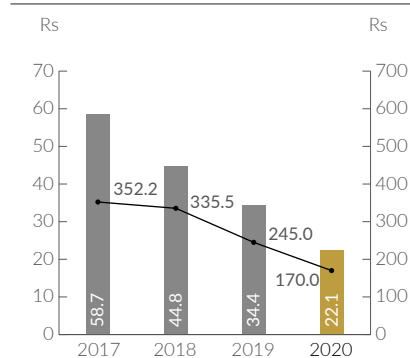
INVESTOR INFORMATION

Value Creation for Shareholders

	2020	2019	Change %
Net asset value per share (Rs)	281.94	275.27	2.42
Group earnings per share - Basic (Rs)	22.13	34.36	(35.59)
Dividend per share (Rs)	8.25*	11.75	(29.79)
Market price per share as at 31st December (Rs)	135.60	162.40	(16.50)
Dividend payout ratio (%)	39.21	40.19	(2.44)

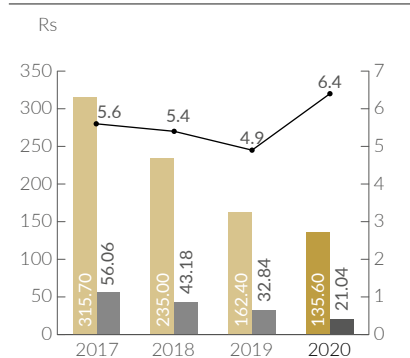
* Based on proposed dividend which is to be approved at the Annual General Meeting and the number of shares in issue as at 15th February 2021.

Earnings & Highest Market Price per Share



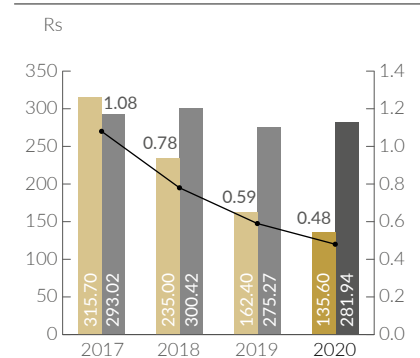
■ Earnings per Share - Group
— Highest Market Price per Share - Bank (RHS)

Price Earnings Ratio as at 31st December



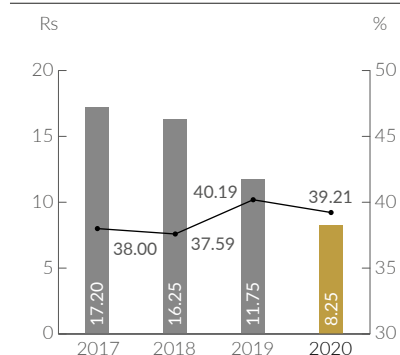
■ Market Price per Share - Bank
■ Earnings per Share - Bank
— Price Earnings Ratio (Times) - Bank (RHS)

Price to Book Value as at 31st December



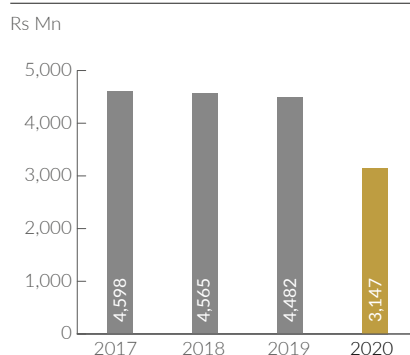
■ Market Price per Share - Bank
■ Net Asset Value per Share - Bank
— Price to Book Value Ratio (Times) - Bank (RHS)

Dividend per Share & Dividend Payout Ratio

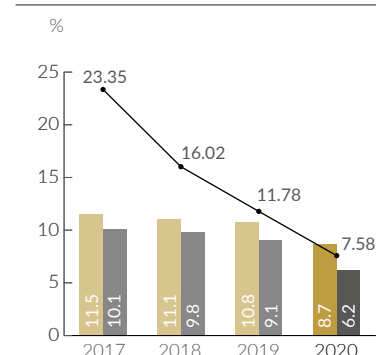


■ Dividend per Share
— Dividend Payout Ratio (RHS)

Gross Dividend



Bank's ROE & Market Interest Rates



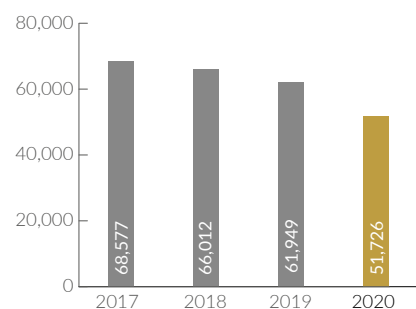
■ Average of 12 Months AWFDR
■ Average of 12 Months T.B. Rate
— ROE (after income tax)

Bank's Market Capitalisation in Comparison to CSE - as at 31st December

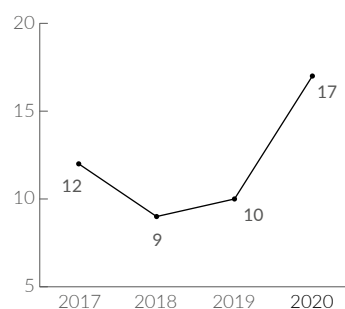
	2020	2019	2018	2017	2016	2015
Sampath Bank's market capitalisation (Rs Mn)	51,726	61,949	66,012	68,577	46,086	42,734
Increase/(decrease) % in market capitalisation	(17%)	(6%)	(4%)	49%	8%	8%
CSE market capitalisation (Rs Mn)	2,960,648	2,851,313	2,839,445	2,899,291	2,745,410	2,938,000
As a % of CSE market capitalisation	1.75%	2.17%	2.32%	2.37%	1.68%	1.45%
Market capitalisation rank	17	10	9	12	12	15

Bank's Market Capitalisation

Rs Mn

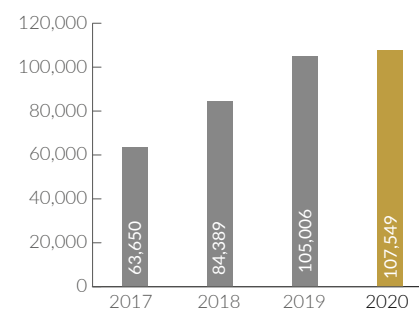


Bank's Market Capitalisation Rank



Shareholders' Fund

Rs Mn



Analysis of Shareholders

Resident/Non-Resident

	31st December 2020			31st December 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident shareholders	25,918	321,301,143	84.23	21,561	303,952,514	79.68
Non-resident shareholders	245	60,156,842	15.77	352	77,505,471	20.32
Total	26,163	381,457,985	100.00	21,913	381,457,985	100.00

Individuals/Institutions

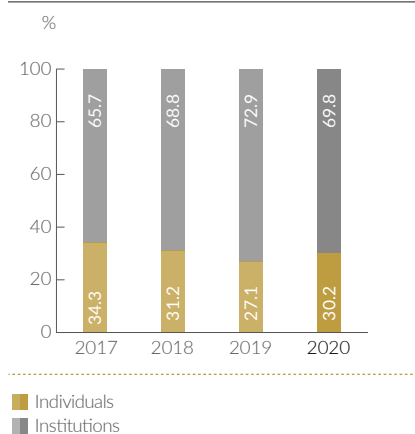
	31st December 2020			31st December 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	25,409	115,161,228	30.19	21,166	103,351,611	27.09
Institutions	754	266,296,757	69.81	747	278,106,374	72.91
Total	26,163	381,457,985	100.00	21,913	381,457,985	100.00

Composition of Share Ownership

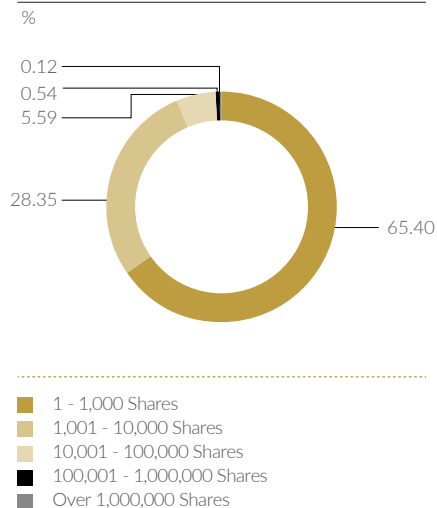
	31st December 2020				31st December 2019			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 - 1,000 shares	17,111	65.40	5,111,846	1.34	14,510	66.22	4,136,654	1.08
1,001 - 10,000 shares	7,416	28.35	23,632,370	6.20	6,013	27.44	18,730,063	4.91
10,001 - 100,000 shares	1,463	5.59	36,982,200	9.69	1,202	5.49	30,369,477	7.97
100,001 - 1,000,000 shares	140	0.54	40,821,820	10.70	153	0.70	46,746,699	12.25
Over 1,000,000 shares	33	0.12	274,909,749	72.07	35	0.15	281,475,092	73.79
Total	26,163	100.00	381,457,985	100.00	21,913	100.00	381,457,985	100.00

INVESTOR INFORMATION

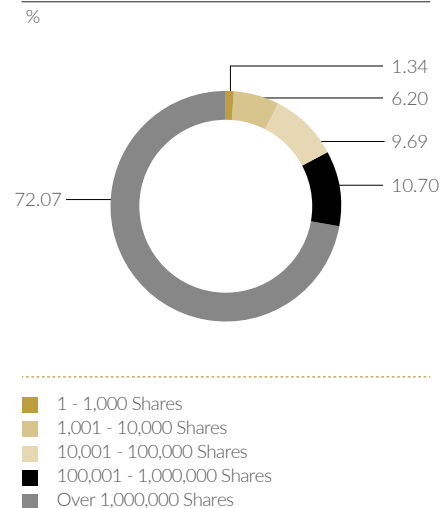
Shareholding of Individuals & Institutions



Composition of Share Ownership - 2020
(No. of Shareholders)



Composition of Share Ownership - 2020
(No. of Shares)



Share Trading

Market

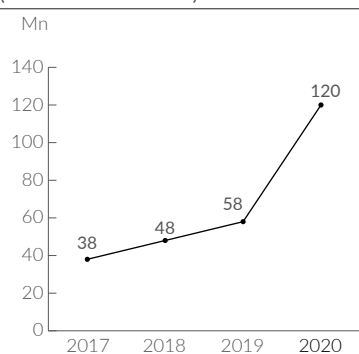
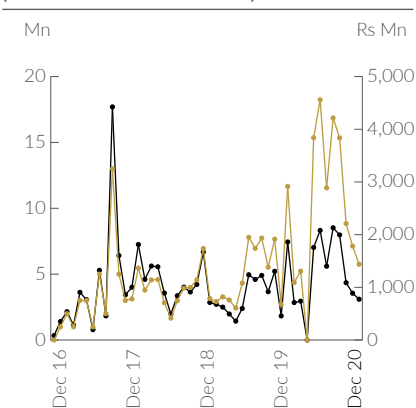
	2020	2019	2018	2017	2016
No. of transactions	3,070,021	1,197,205	885,657	981,977	1,056,849
No. of shares traded	21,348,728,655	9,855,016,003	6,000,737,306	8,468,273,611	7,195,805,445
Value of shares traded (Rs Mn)	396,882	171,408	200,068	220,591	176,935

Bank

	2020	2019	2018	2017	2016
No. of transactions	89,358	44,188	29,623	17,547	10,698
No. of shares traded	120,322,546	57,548,812	48,444,177	37,726,071	18,830,195
As a % of total shares in issue	31.54	15.09	17.25	17.37	10.64
Average daily turnover (Rs Mn)	73.79	40.32	56.75	48.94	18.77
Value of shares traded (Rs Mn)	15,423.04	9,757.84	13,621.11	11,793.39	4,484.95

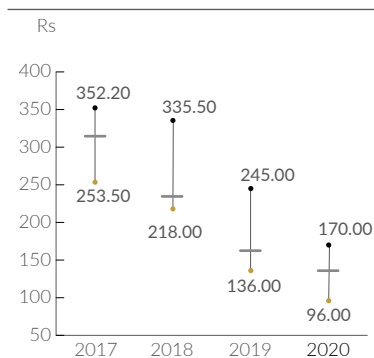
Sampath Bank's Share Price Fluctuation

	2020	2019	2018	2017	2016
Lowest market price (Rs)	96.00	136.00	218.00	253.50	210.00
Highest market price (Rs)	170.00	245.00	335.50	352.20	268.70
Closing price as at 31st December (Rs)	135.60	162.40	235.00	315.70	260.40

Share Trading - Sampath Bank PLC
(No. of Shares Traded)Share Trading - Sampath Bank PLC
(Volume Traded & Turnover)

— Volume Traded (No. of Shares)
— Turnover (RHS)

Bank's Share Price Fluctuation



● Lowest Market Price
● Highest Market Price
— Closing Price as at 31st December

Sampath Bank PLC - Ordinary Shares

Frequency Distribution of Shareholders as at 31st December 2020

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	8,609	32.90	650,842	0.17	46	0.18	4,091	0.00	8,655	33.08	654,933	0.17
251-500	4,962	18.97	1,833,919	0.48	22	0.08	7,902	0.00	4,984	19.05	1,841,821	0.48
501-1,000	3,452	13.19	2,600,187	0.68	20	0.08	14,905	0.00	3,472	13.27	2,615,092	0.69
1,001-2,000	2,958	11.31	4,266,491	1.12	25	0.10	36,074	0.01	2,983	11.41	4,302,565	1.13
2,001-5,000	3,083	11.78	9,878,022	2.59	40	0.15	132,140	0.03	3,123	11.93	10,010,162	2.62
5,001-10,000	1,281	4.90	9,125,366	2.39	29	0.11	194,277	0.05	1,310	5.01	9,319,643	2.44
10,001-20,000	800	3.06	11,208,953	2.94	20	0.08	287,153	0.08	820	3.14	11,496,106	3.01
20,001-30,000	261	1.00	6,303,884	1.65	8	0.03	211,352	0.06	269	1.03	6,515,236	1.71
30,001-40,000	144	0.54	4,974,106	1.30	2	0.01	67,915	0.02	146	0.55	5,042,021	1.32
40,001-50,000	79	0.30	3,520,071	0.92	4	0.02	191,294	0.05	83	0.32	3,711,365	0.97
50,001-100,000	137	0.52	9,646,264	2.54	8	0.03	571,208	0.15	145	0.55	10,217,472	2.69
100,001-1,000,000	132	0.51	38,686,404	10.14	8	0.03	2,135,416	0.56	140	0.54	40,821,820	10.70
Over 1,000,000	20	0.07	218,606,634	57.31	13	0.05	56,303,115	14.76	33	0.12	274,909,749	72.07
Total	25,918	99.05	321,301,143	84.23	245	0.95	60,156,842	15.77	26,163	100.00	381,457,985	100.00

INVESTOR INFORMATION

Sampath Bank PLC - Ordinary Shares

Top 20 Shareholders

No.	Shareholder Name	31st December 2020		31st December 2019*	
		No. of Shares	Ratio (%)	No. of Shares	Ratio (%)
1	VALLIBEL ONE PLC	57,039,028	14.95	57,039,028	14.95
2	EMPLOYEES' PROVIDENT FUND	38,041,260	9.97	38,041,260	9.97
3	MR Y S H I SILVA **	31,266,429	8.20	31,266,429	8.20
4	AYENKA HOLDINGS PRIVATE LIMITED	20,492,896	5.37	17,787,054	4.66
5	ROSEWOOD (PVT) LIMITED-ACCOUNT NO.1	17,068,459	4.47	16,862,162	4.42
6	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	13,647,677	3.58	11,404,089	2.99
7	BBH-MATTHEWS INTERNATIONAL FUNDS-MATTHEWS ASIA GROWTH FUND	13,125,953	3.44	21,899,216	5.74
8	PHOENIX VENTURES PRIVATE LIMITED	10,238,263	2.68	8,303,325	2.18
9	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	8,943,521	2.34	2,546,249	0.67
10	AKBAR BROTHERS PVT LTD A/C NO 1	8,439,541	2.21	8,052,041	2.11
11	BBH-MATTHEWS EMERGING ASIA FUND	6,539,310	1.71	12,474,412	3.27
12	EMPLOYEES' TRUST FUND BOARD	6,508,033	1.71	5,054,604	1.33
13	SEB AB-TUNDRA SUSTAINABLE FRONTIER FUND	5,200,000	1.36	1,994,530	0.52
14	PEMBERTON ASIAN OPPORTUNITIES FUND	4,246,166	1.11	4,246,166	1.11
15	SAMPATH BANK PLC ACCOUNT NO 04 (SAMPATH BANK PENSION FUND)	3,848,882	1.01	3,848,882	1.01
16	COMMERCIAL BANK OF CEYLON PLC/P.SUBASINGHE	3,108,000	0.81	2,310,000	0.61
17	JINADASA BROTHERS (PVT) LTD	2,703,261	0.71	2,839,629	0.74
18	SSBT-AL MEHWAR COMMERCIAL INVESTMENTS L.L.C.	2,432,466	0.64	2,432,466	0.64
19	MELLON BANK N A-ACADIAN FRONTIER MARKETS EQUITY FUND	2,406,250	0.63	221,784	0.06
20	MORGAN STANLEY AND CO.LLC-RWC FRONTIER MARKETS EQUITY MASTER FUND	2,364,569	0.62	2,664,471	0.70
		257,659,964	67.55	251,287,797	65.88
	Total No. of shares registered	381,457,985	100.00	381,457,985	100.00
	Total No. of shares unregistered	-	-	-	-
	Total No. of shares issued	381,457,985	100.00	381,457,985	100.00
	Shares held by Directors	597,452	0.16	612,587	0.16
	Shares held by Institutions	266,296,757	69.81	278,106,374	72.91
	Balance held by Others	114,563,776	30.03	102,739,024	26.93
	Total No. of shares issued	381,457,985	100.00	381,457,985	100.00
	No. of Public shareholders	26,157		21,902	
	% Shares held by Public		90.64		90.62
	% Shares held by Directors and Related Parties		9.36		9.38

* Shareholding as at 31st December 2019 of the top twenty shareholders as at 31st December 2020.

** 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	2020	2019
No. of public shareholders	26,157	21,902
Percentage of public holding	90.64%	90.62%
Float Adjusted Market Capitalisation	Rs 47 Bn	Rs 56 Bn

Bank complies with the minimum public holding requirement under option 1 of the Listing Rules Section 7.13.1(a).

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		3.30	n/a		
1999 (Final)	24.80	4.00	0.70	n/a	261	54.29%
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					
2003 (Final)	21.99	2.00	2.00	n/a	561	14.58%
2004 (Interim)	65.98					
2004 (Final)	34.30	2.00	2.00	n/a	621	16.15%
2005 (Interim)	87.14					
2005 (Final)	32.21	2.00	2.00	n/a	821	14.54%
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		n/a	14.00		
2016 (Final)	884.41	18.75	4.75	n/a	9,125	36.85%
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 (Proposed)	3,147.03	8.25	8.25	n/a	8,025	39.21%

n/a - not applicable

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

INVESTOR INFORMATION

► GRI - 102-25

Record of Bonus Issues and Subdivisions

Year	Issue	Basis/Proportion	No. of Shares Issued/to be Issued	Reason for Issue
2004	Bonus Issue	1 for 6	7,380,817	Benefit to shareholders
2010	Consolidation and Subdivision	11 for 10	6,888,762	Benefit to shareholders
2010	Subdivision	1 for 1	76,403,986	Benefit to shareholders
2021 (Proposed)	Subdivision	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 Plan

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 2020, whichever is lower.
- Recurrent related party transactions - 10% of the gross revenue/income for the year ended 31st December 2020.

Debenture Information

(A) Market Values

Debentures - 2015/2020	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2020	2019	2020	2019	2020	2019
Fixed: 9.90%	98.50	98.94	97.70	97.70	97.70	98.85
Floating	n/t	n/t	n/t	n/t	n/t	n/t

n/t - not traded

Debentures - 2015/2020 were redeemed on 18th November 2020.

Debentures - 2016/2021	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2020	2019	2020	2019	2020	2019
Fixed: 12.75%	102.12	100.00	100.00	100.00	100.00	100.00
Floating	n/t	100.00	n/t	97.50	n/t	100.00

n/t - not traded

Debentures - 2017/2022	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2020	2019	2020	2019	2020	2019
Fixed: 12.50%	110.75	n/t	106.86	n/t	110.75	n/t
n/t - not traded						

Debentures - 2018/2023	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2020	2019	2020	2019	2020	2019
Fixed: 12.50%	n/t	101.52	n/t	99.51	n/t	101.52
n/t - not traded						

Debentures - 2019/2024	Highest (Rs)		Lowest (Rs)		Last Traded (Rs)	
	2020	2019	2020	2019	2020	2019
Fixed: 13.90%	114.32	104.85	114.32	100.28	114.32	104.85

(B) Interest Rates

Debentures - 2015/2020	2020		2019	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 9.90%	9.90%	10.15%	9.90%	10.15%
Floating	Note 1			

Debentures - 2015/2020 were redeemed on 18th November 2020.

Debentures - 2016/2021	2020		2019	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 12.75%	12.75%	12.75%	12.75%	12.75%
Floating	Note 1			

Debentures - 2017/2022	2020		2019	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 12.50%	12.50%	12.89%	12.50%	12.89%

Debentures - 2018/2023	2020		2019	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 12.50%	12.50%	12.89%	12.50%	12.89%

Debentures - 2019/2024	2020		2019	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed: 13.90%	13.90%	13.90%	13.90%	13.90%

Note 1**Debentures - 2015/2020**

Floating rate is equivalent to the six month net Treasury Bill rate plus 1.25% p.a. payable semi-annually.

Debentures - 2016/2021

Floating rate is equivalent to the six month gross Treasury Bill rate plus 1.00% p.a. payable semi-annually.

INVESTOR INFORMATION

(C) Interest Rates of Comparable Government Securities

As at 31st December	2020	2019
3 Months Treasury Bill	4.69%	7.51%
6 Months Treasury Bill	4.80%	8.02%
5 Years Treasury Bond	6.63%	9.94%

(D) Current Yield and Yield to Maturity

Debentures - 2015/2020	Fixed		Floating	
	9.90%			
	2020	2019	2020	2019
Current yield	10.39%	10.27%	n/t	n/t
Yield to maturity of last trade	12.97%	11.19%	n/t	n/t

n/t - not traded

Debentures - 2015/2020 were redeemed on 18th November 2020.

Debentures - 2016/2021	Fixed		Floating	
	12.75%			
	2020	2019	2020	2019
Current yield	12.75%	12.75%	n/t	9.86%
Yield to maturity of last trade	12.44%	12.60%	n/t	9.63%

n/t - not traded

Debentures - 2017/2022	Fixed			
	12.50%			
	2020	2019	2020	2019
Current yield			11.29%	n/t
Yield to maturity of last trade			7.02%	n/t

n/t - not traded

Debentures - 2018/2023	Fixed	
	12.50%	
	2020	2019
Current yield	n/t	12.31%
Yield to maturity of last trade	n/t	11.96%
n/t - not traded		

Debentures - 2019/2024	Fixed	
	13.90%	
	2020	2019
Current yield	12.16%	13.26%
Yield to maturity of last trade	9.13%	12.35%

(E) Ratios - Bank

	2020	2019
Debt to equity ratio (%)	37.0	61.5
Interest cover (Times)	4.0	4.9
Quick asset ratio (%)	73.6	71.3

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.

04

RISK & GOVERNANCE

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Board Audit Committee Report 170 | Board Human Resources and Remuneration
Committee Report 173 | Board Nomination Committee Report 175 |
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*A
Million
Defenses*

Your Bank is strengthened by millions of defenses and reinforced by decades of trust and security. Our expertise and governance mechanisms continue to hold us steadfast even amid times of uncertainty.

RISK MANAGEMENT REPORT

► [GRI - 102-15,30](#)

Sampath Bank’s reputation and the achievement of its corporate objectives depend on the ability to identify, assess and manage risks at all levels. The Bank’s Risk Management strategy is therefore fundamentally based on maintaining adequate capital, liquidity and operational control at all times in order to safeguard the interest of depositors, borrowers, shareholders and other stakeholders.

Approach to Risk Management

The Bank has adopted an Integrated Risk Management (IRM) approach to ensure risk exposures within the Bank’s risk universe are managed consistently in line with the Board-approved risk appetite that supports the Bank’s strategy.

The Bank’s risk universe represents the risks that in principle apply to the business of banking. The IRM sets standardised practices to promote accountability and necessary oversight for the effective management of all these risk types.

In the year under review, the Bank took several measures in response to the COVID-19 pandemic including, work from home arrangements for staff, strict adherence to safety instructions issued by Health Authorities to ensure staff health and safety, and strengthening the Disaster Recovery sites as part of the Business Continuity Plan. Further, the Bank continued to provide uninterrupted customer service through ATMs and CDMs at branches which were closed due to the lock-down and also ensured 24/7

accessibility via Bank’s digital channels. The impact of the COVID-19 lock down and moratorium measures on the Bank’s NPA levels was assessed using a range of additional stress tests. In addition, the Bank reviewed the risk elevated industries in the context of COVID-19 pandemic. Notable action was also taken to mitigate Cyber risk by introducing several security measures.

Risk Appetite

Risk appetite is an expression of the amount of risk the Bank is willing to take under all main risk types, in pursuit of its financial and strategic objectives while continuing to meet obligations as they fall due, under both normal and stressed conditions.

Main Risk Appetite Boundaries		
Risk Categories	Appetite Boundary	
Credit Risk	Credit Quality	To ensure a healthy advances portfolio is maintained at all times, the Bank has introduced appetite limits for products, NPA, borrower caps etc.
	Credit Concentration	To ensure the lending portfolio is well diversified, the Bank has introduced several limits to manage the concentration towards specific sectors.
Market Risk	Liquidity Risk	Ensure adequate liquidity resources are held to meet Bank’s obligations in a timely manner as and when they fall due.
	Foreign Exchange Rate Risk	Ensure adequate controls are in place to manage the net open positions of specific foreign currencies, where the value of such net open positions are likely to fluctuate due to exchange rate movements.
	Interest Rate Risk	Ensure adequate controls of the Bank’s trading book are maintained in order to minimise the negative impact that may arise due to their different repricing characteristics.
Operational Risk	Internal Frauds	Ensure adequate internal procedures/directives and mechanisms are in place to minimise losses due to internal frauds.
	External Frauds	Ensure adequate system restrictions, staff awareness and other mechanisms are in place to minimise losses from external frauds.
	Business Disruption and System Failures	Ensure adequate system restrictions, customer awareness and other mechanisms are in place to minimise losses from business disruptions and system failures.
	Execution Delivery & Process Management	Ensure adequate internal procedures/directives, training and mechanisms are in place to manage the losses arising as a result of the failure to follow the correct processes.
	Damage to Physical Assets	Ensure adequate internal procedures/directives, insurance covers and other security measures are in place to manage the losses arising from damages to physical assets.

The Bank undertakes to review the aforementioned limits periodically in concurrence with the Board of Directors. At the end of 2019, all risk appetite boundaries were re-examined as part of the ICAAP (Internal Capital Adequacy Assessment Process) review process. The risk appetite limits were also reviewed and changed to suit the Bank's risk profile in 2020.

Stress Testing

Stress testing is a key management tool used by the Bank to evaluate the sensitivity of current and forward scenarios to determine their relevance to Board approved risk appetite parameters.

The Bank's Risk Management Unit conducts stress testing for all major risk types. A combination of stress testing techniques are used including, scenario analysis and sensitivity analysis to ensure appropriate coverage of each different risk category. The chosen stress scenarios vary in severity from mild to very severe but plausible shocks to measure the impact against the Bank's Capital Adequacy Ratio.

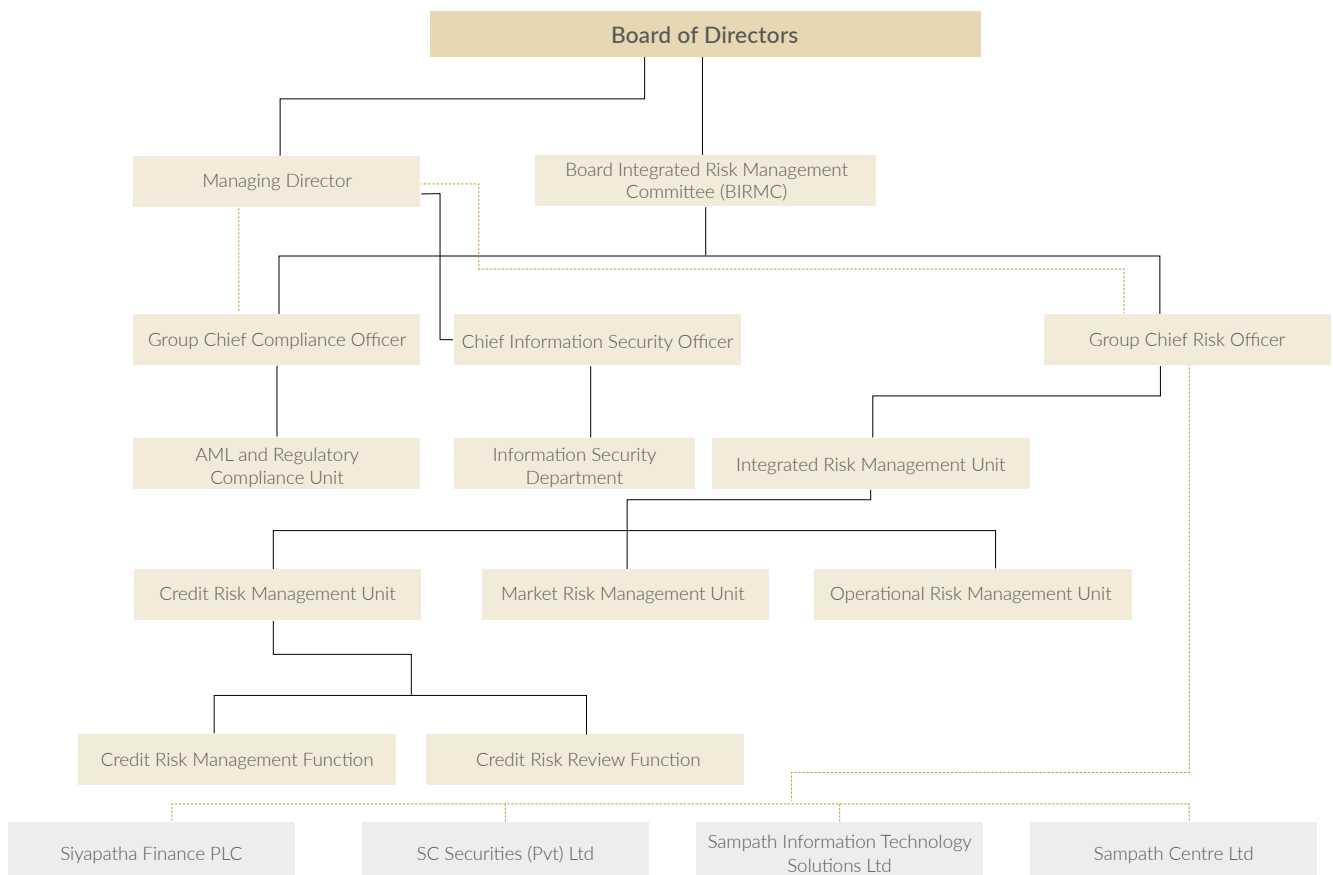
To further strengthen the Bank's stress testing framework, macroeconomic stress testing covering a range of economic scenarios was introduced in 2020. This was done with the intention of measuring the impact to the Bank due to fluctuations in macroeconomic factors.

Risk Governance

The Bank's Board of Directors is responsible for developing the overall risk strategy including; the risk appetite, supervision of the risk management framework, approval of the risk management policy for each material risk and overseeing and challenging the risk levels to which the Bank is exposed, while ensuring conformity with the established risk appetite and in compliance with the law and regulations.

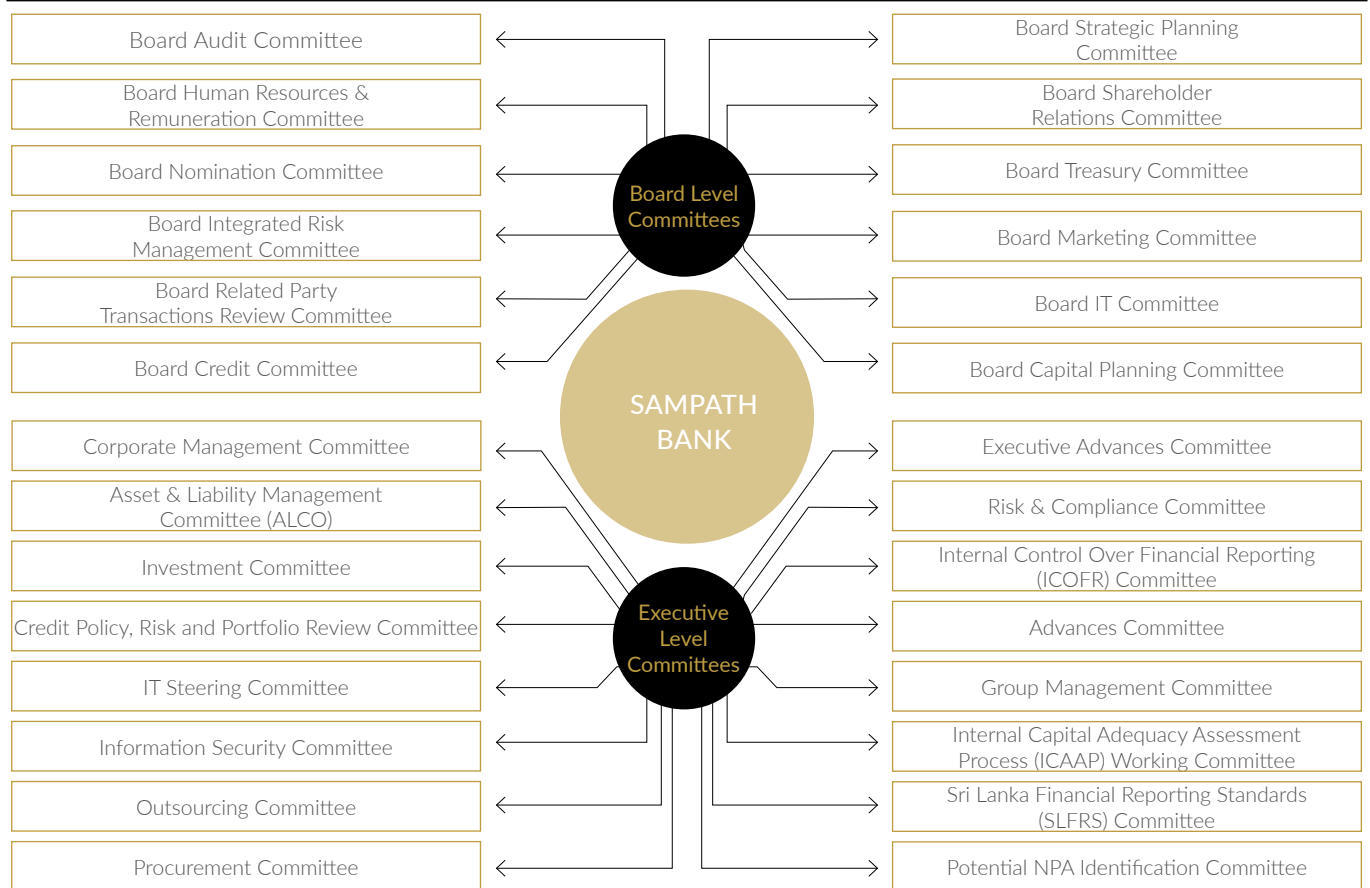
The Board committees and executive level committees also form a key part of the Bank's risk management governance structure.

Functional Structure of the Integrated Risk Management Framework of the Bank/Group



RISK MANAGEMENT REPORT

Risk Governance Committees



Risk Culture

The Bank recognises the importance of having a strong risk culture to support its efforts to create value for stakeholders and continue to live up to its reputation as one of the largest and most stable institutions in the local banking sector. In this regard, the Bank focuses on multiple drivers to enhance the risk culture and emphasise the principle of best business practices in order to empower the employees and give them the confidence to act responsibly and transparently in executing their day to day job functions.

The Bank's Risk Management Unit takes the lead in the development and implementation of necessary policies and procedures to ensure the principles of risk management are incorporated into the day-to-day business activities. This is supported by the three-lines-of-

defense mechanism which serves as the key catalyst in building and maintaining a robust Bank-wide risk culture and promoting a high level of risk awareness at all levels of the business.

As part of their duties, the Risk Management Unit also undertakes ongoing training to reinforce the risk culture at an operational level.

First Line of Defense	Second Line of Defense	Third Line of Defense
↓	↓	↓
Business Lines/Corporate Functions	Risk Management & Controls	Assurance
↓	↓	↓
Ownership for the day-to-day management of risk. Ensure that risks accepted are within the Bank's risk appetite and risk management policies.	Direction for Risk Management and Compliance, facilitating high level of risk awareness throughout the organisation. Independent monitoring of the effective implementation of Risk Management Framework.	Providing independent and objective assurance on the Risk Management processes and practices in place.
Business Heads/ Branch Managers	Risk Management Unit (RMU) Compliance Department	Internal/External Audit Function

Risk Monitoring and Reporting

An Integrated Risk Management (IRM) Framework backed by a strong risk culture is in place at the Bank to identify, assess, monitor and control risks within Sampath Bank's established risk appetite. Risk monitoring and reporting are crucial elements in this IRM framework.

All material risks are monitored centrally by the Risk Management Unit, with any significant irregularities promptly escalated to the Corporate Management and the Board of Directors for review and necessary action.

The Risk Management Unit also conducts regular environmental scans to monitor existing risks under both normal and stressed conditions and inform the Board of Directors (BOD) to take appropriate action in the event of severe risks being detected. Environmental scans also raise awareness regarding emerging risks that may affect the Bank's performance and long term strategy.

Based on the findings from the risk monitoring programme, Sampath Bank's top risks for 2020 were identified depending on the likelihood of occurrence and the severity of impact. These were tabulated on a Risk Matrix and presented to BIRMC and BOD. In the year under review, the Bank's risk reporting framework was further strengthened with the addition of 10 new Key Risk Indicators (KRIs) covering several business functions including; the Card Centre, International Operations Department, Central Cash Department, Compliance, Recoveries, Internal Audit and Logistics Department.

Additionally the Risk and Control Self-Assessment (RCSA) process was also reviewed in 2020.

Meanwhile, the reviewing of the ICAAP which was initiated in 2019 was finalised by end 2020 with the changes due to be operationalised in the submission of ICAAP 2020.

Managing Material Risks

Credit Risk

Credit Risk is associated with the retail and corporate lending aspects of the Bank's business model. It arises due to the failure of borrowers to meet their financial or contractual obligations when due. Credit Risk consists of two major components; Default Risk and Credit Concentration (Business) Risk, which together represent the most material risk for a Bank.

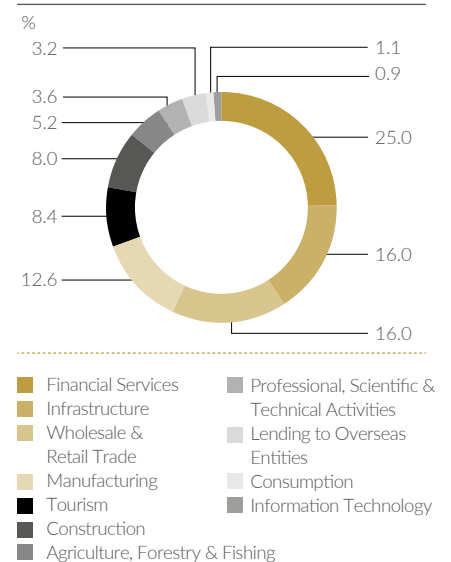
The management of Default Risk and Credit Concentration (Business) Risk is undertaken in line with established Credit Risk Appetite Limits.

Credit Risk Appetite Parameters	
Credit Quality Parameters	Lending Parameters
<ul style="list-style-type: none"> ➤ Credit quality related ratios ➤ Product-wise NPA ➤ Provision covers ➤ Security covers ➤ Rating grades as a percentage of the total portfolio 	<ul style="list-style-type: none"> ➤ Single borrower exposure ➤ Aggregate exposure ➤ Top 20 advances ➤ Sector-wise lending caps ➤ Sector-wise concentration score (based on the HHI methodology) ➤ Product-wise concentration score (based on the HHI methodology) ➤ Related party exposure limits
Key Control Systems	
<ul style="list-style-type: none"> ➤ Credit Policy that serves as the foundation for prudent lending ➤ Comprehensive due diligence and customer screening procedures at the pre-credit evaluation stage, including borrower rating for all obligors ➤ Independent review by the Risk Management Unit for individual/group exposures in excess of Rs 100 Mn ➤ A clear segregation of duties between loan origination, pre-credit evaluation administration and post-credit monitoring ➤ Proactive post-credit monitoring and follow up by the Business Units, Risk Management Unit and Recoveries Department ➤ Effective identification of Early Warning Signals and Watch Listing procedure 	
Standard Monitoring Protocols	
<ul style="list-style-type: none"> ➤ Top 30 borrower analysis report (Semi-Annually) ➤ Analysis of risk elevated industries (Quarterly) ➤ Analysis of sector-wise and product-wise exposures (Monthly) ➤ Stress testing to determine the impact on the Bank's Balance Sheet (Quarterly) ➤ Advance portfolio analysis (Semi-Annually) ➤ Post mortem analysis (Quarterly) ➤ Condominium sector analysis (Quarterly) 	
Governance and Oversight	
<ul style="list-style-type: none"> ➤ Branch Managers ➤ Business Heads Corporate and Consumer Lending ➤ Head of Recoveries ➤ Advances Committee ➤ Executive Advances Committee ➤ Credit Policy, Risk and Portfolio Review Committee 	<ul style="list-style-type: none"> ➤ Board Credit Committee ➤ Risk Management Unit ➤ Board Integrated Risk Management Committee ➤ Internal Audit Function ➤ Board of Directors

RISK MANAGEMENT REPORT

Credit Risk Stress Tests	Parameters
1 Credit Risk - Asset Quality Downgrade	Percentage of advance portfolio under each asset class will be transferred to next inferior asset class under 3 scenarios
2 Credit Concentration Risk - Large Borrowers Default	Default of the Largest Borrowers by classifying the credit granted to them as non-performing (Substandard asset class)
3 Credit Concentration Risk - HHI	% increase in concentration under stress, measured as per HHI (Herfindahl Hirschman Index)
4 Decrease in Collateral Value (Total Security Value)	% decrease in total security value of the entire portfolio
5 Decrease in Collateral Value (Property Value)	% decrease in security value (property) of the entire portfolio

Sector-wise Distribution of Post Credit Evaluation in 2020 (based on the sample selected by RMU)



Focus for 2020 - Credit Risk

Amidst the weak economic climate and muted credit demand in 2020, Sampath Bank's focus on credit quality management was further intensified. With special emphasis placed on strengthening, monitoring and reporting frameworks, the following changes were implemented;

- Validated the Credit Rating Models to assess the discriminatory power of the models in determining the credit quality of the borrowers. Further, action was taken to enhance the rating models based on the validation results and recommendations provided by the consultants. This process which began in 2019 was completed in mid-2020 following the conclusion of the independent model validation process. The process of implementing the amended Credit Rating Models with validation recommendations was nearing completion in the latter part of 2020.
- The Bank's Credit Risk appetite limits were reviewed.
- Initiated the process of obtaining consultancy services from an external party for guidance in relation to the transition of rating-based approach when determining the Expected Credit Loss (ECL) model in line with SLFRS 9: Financial Instruments. This enhanced ECL model based on IRB approach is expected to further streamline and reorient the existing strategies of the Bank's risk measurement and reporting of financial instruments in an efficient, forward-looking manner.
- Began developing an Early Warning System to enable business units to access information regarding potential default customers under their purview. The system development process was almost 90% completed and implementation is scheduled for the first quarter of 2021.
- Tightened monitoring of top 30 exposures as well as for selected high risk sectors. Based on the findings, detailed sector-wise and borrower-wise portfolio analyses were prepared and presented for Board review.
- A range of additional stress tests were carried out to assess the impact of the COVID-19 lockdown and moratorium measures on the Bank's NPA levels over the next 12 months.
- Intensified credit training activities for frontline staff.
- Establishment of a Board approved criteria on upgrading of the stage of impairment, related to restructured facilities.
- Commenced developing of a behavioural scorecard to track the behaviour of personal borrowers and support decision making through predictive analysis. With development work of the new scorecard nearing completion by end-December 2020, it is expected that implementation would take place starting from first quarter of 2021.

Market Risk

Market risk is defined as the likelihood of loss in earnings that could arise from the possible fall in value of investment or trading portfolios, as a direct consequence of changes in market variables such as interest rates, equity prices and foreign exchange rates.

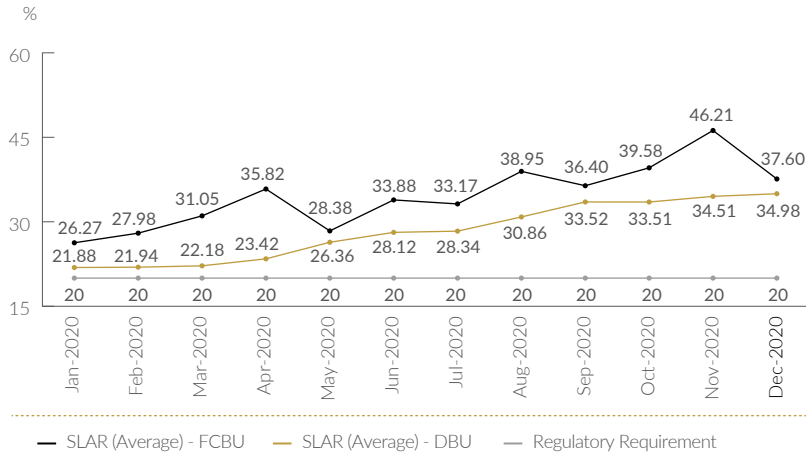
Sampath Bank's approach to Market Risk Management is framed by the regulatory guidelines for Corporate Governance, the Integrated Risk Management Framework for Licensed Commercial Banks and the BASEL III recommendations. In the current business context, the Bank's Market Risk appetite parameters focus mainly on managing Foreign Exchange, Liquidity and Interest Rate Risks.

Market Risk Appetite Parameters		
Foreign Exchange Rate Risk	Liquidity Risk	Interest Rate Risk
<ul style="list-style-type: none"> ➤ Overnight Aggregate Net Open Position Limit for the Bank Portfolio 	<ul style="list-style-type: none"> ➤ Statutory Liquid Assets Ratio ➤ Net Loans to Total Assets ➤ Total Loans to Customer Deposits ➤ Liquid Assets to Short Term Liabilities ➤ Bulk Deposits to Total Deposits ➤ Purchased Funds to Total Assets ➤ Commitments to Total Loans 	<ul style="list-style-type: none"> ➤ Tolerance limit for Mark to Market (MTM) losses from "Fair Value Through Profit or Loss - FVTPL" and "Fair Value Through Other Comprehensive Income - FVOCI" portfolios
Key Control Systems		
<ul style="list-style-type: none"> ➤ Market Risk Management Policy ➤ ALCO Policy ➤ Investment Policy ➤ Liquidity Management Policy including Liquidity Contingency Funding Plan ➤ Treasury Policy and procedure guideline for Treasury Operation 		
Standard Monitoring Protocols		
<ul style="list-style-type: none"> ➤ Monitoring of Board approved limit framework for Market Risk Management and escalating all exceptions to the approving authorities (Continuous and Ongoing) ➤ Assessment of Foreign Exchange Risk, Liquidity Risk, Interest Rate Risk and Equity Risk (Continuous and Ongoing) ➤ Conducting stress testing and scenario analysis for Market Risk exposures (Continuous and Ongoing) 		
Governance and Oversight		
<ul style="list-style-type: none"> ➤ Asset and Liability Management Committee ➤ Investment Committee ➤ Board Treasury Committee ➤ Risk Management Unit ➤ Board Integrated Risk Management Committee ➤ Board of Directors 		

Sampath Bank's approach to Market Risk Management is framed by the regulatory guidelines for Corporate Governance, the Integrated Risk Management Framework for Licensed Commercial Banks and the BASEL III recommendations.

RISK MANAGEMENT REPORT

Statutory Liquid Assets Ratio - 2020



Stress Testing Parameters for Market Risk

Market Risk Stress Tests	Parameters
1 Interest Rate Risk in Banking Book - EAR and EVE	Three most severe impact scenarios to the Bank's Economic Value of Equity (EVE) and the Bank's Earnings (EAR) due to changes in interest rates from -3.0% to +3.0%
2 Foreign Exchange Rate Risk	Impact of 5%, 10% and 15% of adverse LKR exchange rate movements, against all Foreign Currencies
3 Equity Risk	10%, 25% and 50% impact (fall in market value) of Equity Portfolio held by the Bank
4 Interest Rate Risk in the Trading Book	Impact of 1%, 1.5% and 2% increase in Market Rates on the Mark to Market (MTM) gain/loss of the Government Securities Trading Portfolio (in LKR)
5 Liquidity Risk Stress Tests	
5.1 Liquidity Risk	Impact of 10%, 15% and 20% of shocks applied to deposits maturing beyond 3 months and loans due within 3 months
5.2 Liquidity Crisis Scenario	Impact of 2%, 6% and 10% fall in Liquid Liabilities on Liquid Assets Ratio

Focus for 2020 - Market Risk

In light of the challenging operating environment that the Bank faced in 2020, the Market Risk Management activities for the year were focused mainly on strengthening systems and control processes through the following efforts:

- Reviewing of existing appetite limit framework and introduction of new appetite limits for Interest Rate Risk and Equity Risk.
- Introduction of VaR limits for Foreign Exchange Rate Risk and Interest Rate Risk.
- Introduction of a Code of Conduct for Treasury operations along with Treasury Front Office and Treasury Back Office.
- Conducting of continuous and ongoing stress testing based on the scenarios relating to COVID-19 pandemic to understand the effect to the Bank's Market Risk exposures.
- Meanwhile, a series of measures were also taken from the Business Continuity Plan point of view. Among them the commissioning of a fully-fledged Disaster Recovery (DR) site is vital, enabling the Bank to carry out its treasury functions from a remote location which is away from the head office.

Operational Risk

Operational Risk arises due to the disruptions, breakdown of systems, failed or incomplete processes, people related issues and external events that could have an impact on the Bank's performance and future prospects.

Operational Risk Appetite Parameters

- Internal Frauds
- External Frauds
- Employment Practice and Work Place Safety
- Clients, Products and Business Practices
- Damages to Physical Assets
- Business Disruption and System Failures
- Execution Delivery and Process Management

Key Control Systems

- Operational Risk Management Policy
- Internal Policies, Procedures, Directives, and System Specifications along with MOUs, Service Level Agreements and Non-Disclosure Agreements to effectively manage relationships with external service providers
- Internal IT controls and global best practices for information security

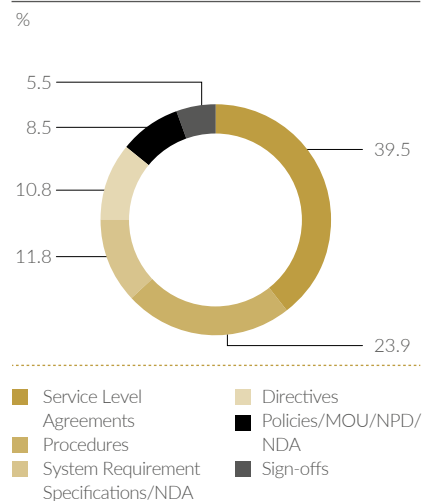
Governance and Oversight

- Branch Managers
- Business/Department Heads
- IT Department
- Risk Management Unit
- Information Security Department
- Board Integrated Risk Management Committee
- Internal Audit Function
- Board of Directors

Stress Testing Parameters of Operational Risk

Operational Risk Stress Tests	Parameters		
Operational Risk - Scenario 1	Testing is performed based on top four highest reported actual internal and external event values under Basel business lines in the Bank.	Total actual loss value reported under various Basel business lines are increased under different stress scenarios to assess the impact to the P&L and the Bank's capital base.	CAR (Stress CAR) is recalculated under different scenarios as low, medium and high (10%, 20% and 30%).
Operational Risk - Scenario 2	Testing is performed based on top four highest reported actual and near miss internal and external event values under Basel business lines in the Bank.	Total actual loss and near miss loss event value reported under various Basel business lines are increased under different stress scenarios to assess the impact to the P&L and the Bank's capital base.	CAR (Stress CAR) is recalculated under different scenarios as low, medium and high (10%, 20% and 30%).

Operational Risk Review 2020



Focus for 2020 - Operational Risk

With a majority of the Bank's employees working remotely or from home during the COVID-19 lockdown and thereafter, a range of new procedural changes were rolled out as discussed under the Human Capital Report.

- Introduction of 10 new KRIs to enhance the Bank's Key Risk Indicator Framework.
- Reviewing existing RCSA questionnaires of all departments to establish heat maps for Board submission.
- Allowing team members to work from home through a secured VPN connection.
- Process enhancement of monitoring of Internal Loss Event Data Reporting.
- Team member development through internal training with a view of strengthening the risk culture and process development across the Bank.

Strategic Risk

Strategic Risks can be defined as risks that affect or are created by the Bank's business strategy and strategic objectives. Strategic Risks are created internally as well as externally. The failure to take action where needed to address challenges or make timely changes in response to macroeconomic trends also constitute strategic risk.

Key Control Systems

- Budgeting Process
- Strategic Planning Process
- Environmental Scan through a PESTLE Analysis
- SWOT Analysis

Standard Monitoring Protocols

- Employee Performance Management Mechanism (Continuous and Ongoing + Annual Performance Appraisal)
- Monitoring of branch and departmental KPIs to determine the achievement of overall performance objectives (Continuous and Ongoing)
- Performance review of Strategic Plan (Quarterly)

Governance and Oversight

- Branch Managers and Business Heads
- Strategic Planning Department
- Board Strategic Planning Committee
- Risk Management Unit
- Board Integrated Risk Management Committee
- Board of Directors

RISK MANAGEMENT REPORT

Focus for 2020 - Strategic Risk

As required by the Terms of Reference of the Board Integrated Risk Management Committee, a risk review was carried out by the Risk Management Unit to determine the effectiveness of the Bank's three-year Strategic Plan for the period of 2021 to 2023. This was done with the aim of taking proactive measures to manage and mitigate potential risks.

The Board approved strategic plan for 2020, was continuously reviewed to take into account the rapid changes in the environment mainly due to the COVID-19 pandemic.

Cyber/Information Security Risk

Cyber/Information Security Risk arises due to the probability of exposure or loss resulting from a cyber-attack or through an internal or external data breach. A strict policy framework on par with global standards coupled with continuous and ongoing improvements enable Sampath Bank to proactively manage Cyber Security Risks.

Key Control Systems

- Information Security Management Policy Framework

Standard Monitoring Protocols

- Monitoring user login activity on the PAM (Privileged Access Management) platform and across all critical databases (Continuous and Ongoing)
- Vulnerability assessments (Quarterly)
- External Penetration Test (Annually)
- Information security risk assessment (Annually)
- Incident reports generated by the Incident Response Team (as needed)
- ISO 27001:2013 Information Security Systems Surveillance Audit (Annually)

Governance and Oversight

- Incident Response Team
- Chief Information Security Officer
- Information Security Committee
- Managing Director
- Risk Management Unit
- Board Integrated Risk Management Committee
- Board of Directors

Focus for 2020 - Cyber/ Information Security Risk

With the Bank's activities increasingly moving to digital platforms amidst the COVID-19 lockdown, control procedures for the management of Cyber Security Risk were tightened as described in the Information Security Topic under the Intellectual Capital Report.

Priorities Going Forward

- 1 Strengthen credit monitoring protocols to manage Credit Risk amidst the backdrop of weak economic activity and debt moratoriums, both caused by the COVID-19 pandemic.
- 2 Stronger emphasis on liquidity risk management owing to the limited lending opportunities due to economic stress caused by the COVID-19 pandemic.
- 3 Implementing the new proposals under the ICAAP methodology to further strengthen the Bank's overall risk management framework.
- 4 Strengthening Cyber Security Management in light of the increased use of digital platforms owing to the COVID-19 pandemic.
- 5 Strengthening the Integrated Risk Framework by developing a comprehensive risk register and deriving the risk matrix based on the outcome.
- 6 Further strengthening the monitoring of operational risk by reinforcing the operational environment within the Bank.
- 7 Calculation of impairment using Internal Rating Based Models.

COMPLIANCE REPORT

We aim to inculcate an effective and strong compliance culture.

As an integral part of the Bank's ethical and professional business conduct, Sampath Bank's Compliance Department is responsible for ensuring Bank-wide compliance with all legal and regulatory requirements and industry best practices.

As an independent unit within the Bank, the Compliance Department also serves as the second line of defense in mitigating regulatory and money laundering risk as well as terrorist financing risk across the Bank.

The Compliance Department's eight-point model broadly demonstrates the key focus areas under its purview.

Priorities for 2020

The activities of the Compliance Department in 2020 were largely directed towards supporting the Bank to manage the impact of COVID-19 on various aspects of the business. Consequently, five areas were prioritised;

Regulatory Interaction and Coordination

Faced with frequent and often ad-hoc regulatory changes due to the government-led debt moratorium programme granted to COVID-19 affected businesses and individuals, the Compliance Department was called upon to proactively interpret and dynamically support the application of these changes in practice. Working closely with the internal Committee for the Dissemination of Regulatory

Instructions, the Compliance Department was tasked with communicating regulatory instructions issued during the COVID-19 period in a timely manner to keep business units apprised of necessary changes. Meanwhile, given the complex provisions associated with the debt moratorium, a dedicated compliance team was assigned to assist the lending and recovery units as well as the IT Department to translate the conditions of the moratorium for practical applications.

The Compliance Department was also involved in interpreting the statutory and regulatory landscape with regard to the new digital solutions deployed in response to the COVID-19 challenges.

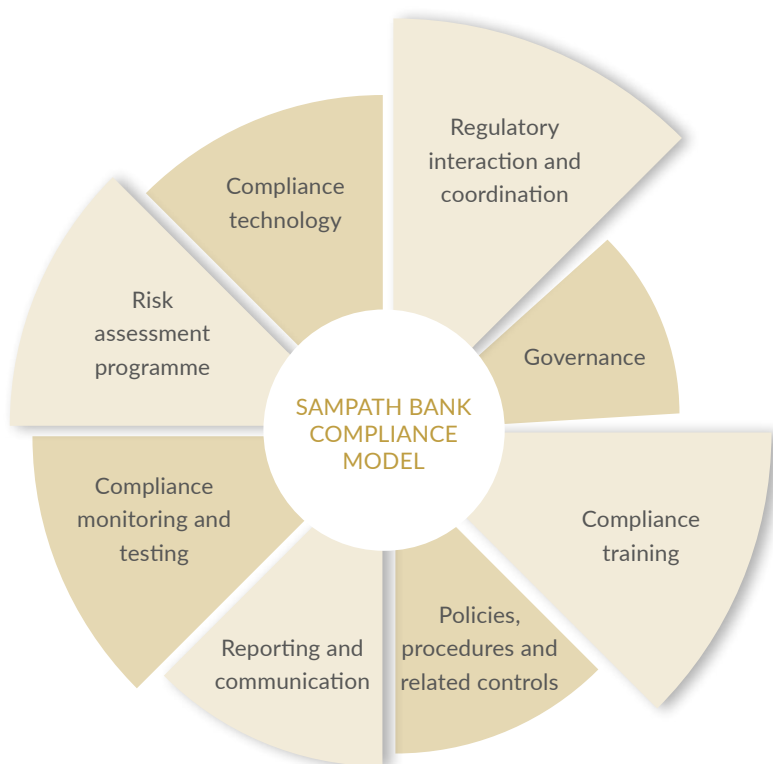
Policies, Procedures and Related Controls

Supporting the HR Department to formulate a new Anti-Bribery and Corruption (ABC) policy was another project undertaken by the Compliance Department in 2020. This is the first time that there would be a formal policy at the Bank to comprehensively cover all bribery and corruption related matters, which were previously covered only as a subsection of the Employee Code of Conduct and Anti-fraud Policy.

Compliance Monitoring and Testing

In line with the strategic plan of the Bank, the Compliance Department went ahead with the scheduled compliance testing and monitoring process. However, in view of the COVID-19 work disruptions, branch compliance risk assessments were carried out mainly through off site surveillance with site visits done only where possible and practical.

A comprehensive Directive on carrying out compliance testing on departments and branches, statutory payments and mandatory reporting requirements was formulated and implemented by the Compliance Department in 2020. This was done with the intention of streamlining the overall compliance testing and monitoring framework.



COMPLIANCE REPORT

Meanwhile, in an effort to strengthen Group Compliance, a special initiative was launched to assist subsidiaries to formalise their policies to mirror the Bank's own compliance frameworks.

Compliance Technology

The Bank's AML monitoring architecture was further enhanced with the existing alert parameters strengthened in order to widen the average detection range of suspicious transactions.

Notable progress was made on the Financial Intelligence Unit (FIU) project to develop and implement a new online transaction reporting system (goAML), which began in 2019. As one of the major Banks involved in this pilot project, the special team from the Compliance Department continued carrying out required system developments to ensure the project can be completed on schedule by the second quarter of 2021.

Compliance Training

All compliance training activities in 2020 were moved to online platforms owing to COVID-19 restrictions. Employees were given the opportunity to participate in a series of webinars focusing on AML/CTF and KYC requirements along with several online programmes on Foreign Exchange Business.

The Board of Directors participated in a special awareness session on AML matters likely to arise due to emerging drug trafficking activities. This session was conducted by the Financial Intelligence Unit of CBSL in collaboration with law enforcement authorities.

Training activities for the year were not limited only to the Bank, with a specially designed training programme on "AML/CFT Compliance" rolled out for employees of Siyapatha Finance PLC and SC Securities (Pvt) Ltd as well.

Future Focus

Continue to focus on inculcating the compliance culture at all levels across the Bank and the group.

CORPORATE GOVERNANCE

Dear Stakeholders

As a Board, we believe that a strong governance framework is fundamental for the effective management of the day to day business and for the delivery of Sampath Bank's strategy. The Board of Directors of Sampath Bank PLC is committed to ensuring a strong Bank-wide Governance framework that provides an essential foundation to improve transparency and build trust with all our stakeholders in order to ensure the future success of the Bank.

This section of the Annual Report describes Sampath Bank's approach to corporate governance, including the principal activities of the Board and its Committees and how the Bank has complied with the principles of good governance in accordance with all regulatory and mandatory frameworks applicable to licensed commercial banks in Sri Lanka for the financial year ended 31st December 2020.

Board Priorities for 2020

The financial year (FY) 2020 was a stressful one for all businesses due to the unprecedented challenges arising out of the COVID-19 pandemic. Sampath Bank's business model too was put to the test like never before. However, I believe our solid governance framework and strong culture of good governance, held us in good stead during these trying times. In fact I am proud to say that it was the soundness of our governance mechanism that created the foundation to enable the Bank to respond proactively and efficiently to safeguard the interests of stakeholders particularly during the lockdown periods.

While tackling these immediate challenges, the Board also redirected its attention to focus on improving the Board balance in 2021. Seeing that almost half of the current Board would retire by the end of the FY 2020, strong emphasis was

placed on seeking out potential candidates who can contribute through diverse perspectives that will enhance the overall decision making process at the Board level in the years ahead.

Strengthening stakeholder relations was another key area that received the Board's attention in the current financial year. The Board approved, plans to conduct a broad-based stakeholder engagement survey to learn and understand the views of the Bank's key stakeholder groups and determine where necessary the calibration of our strategy to reflect these evolving needs. The details and findings of this study are shown in the stakeholder engagement section on pages 47 to 51 of this report.

Board Declaration

As Chairman of the Board, I wish to declare that the Bank and Team Sampath, including the Board of Directors and Corporate Management have complied in full 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 (CBSL) and its amendments, the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) as well as Sampath Bank's own internal policy guidelines, best practices and all other applicable regulations.



HARSHA AMARASEKERA

Chairman

Colombo, Sri Lanka
15th February 2021

As a Board, we believe that a strong governance framework is fundamental for the effective management of the day to day business and for the delivery of Sampath Bank's strategy. The Board of Directors of Sampath Bank PLC is committed to ensuring a strong Bank-wide governance framework that provides an essential foundation to improve transparency and build trust with all our stakeholders in order to ensure the future success of the Bank.

CORPORATE GOVERNANCE

Corporate Governance Framework

Sampath Bank PLC recognises that the achievement of its long-term strategic objectives depends to a large extent on the soundness of its Corporate Governance Framework. Firmly anchored to the principles of good governance, accountability and transparency, Sampath Bank's robust Corporate Governance Framework aims to align the interests of the Board and management with those of shareholders.

Regulatory Compliance and Best Practices

As a licensed commercial bank and a public entity listed on the Colombo Stock Exchange, regulatory compliance has a sizable impact in contextualising the Bank's Corporate Governance Framework. The main regulatory and statutory requirements applicable to Sampath Bank are:

- The Companies Act No. 7 of 2007
- 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 Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka
- 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
- 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
- All other applicable regulations

Governance Structure

The Bank's governance structure establishes the fundamental relationships between the Board, its committees, management, shareholders and other stakeholders. The Bank's Governance Structure is given in pages 124 and 125 of this report.

The Board

As the apex body of the Bank's Corporate Governance Framework, the Board of Directors are responsible for the overall management and oversight of the Bank and its activities. While providing entrepreneurial leadership, the Board is required to exercise independent judgment in overseeing the management and performance of the Bank to ensure the delivery of stakeholder value over the long term.

In fulfilling its stewardship role, the Board plays an advisory role in providing strategic direction to the management to support the Bank's growth objectives in line with the Bank's risk appetite. At the same time, the Board actively monitors the Bank's risk profile relative to the risk appetite limits, to ensure that management remains focused on generating shareholder value by maintaining the appropriate risk/return balance.

In carrying out this oversight role, the Board sets long term strategic goals, while reviewing and approving business strategies and ensuring that the necessary financial and human resources are made available to meet those objectives. In this context, the Board also assumes the responsibility for ensuring adequate

frameworks, policies and systems are in place to identify and manage business risks.

To serve the interests of shareholders and all other stakeholders and to promote the highest standards of risk management at every level, the Bank's Corporate Governance Framework is subject to ongoing review by the Board. The Board works proactively to strengthen and improve governance policies and practices in line with the latest legal and regulatory developments applicable to the local banking industry as well as global best practices for good corporate governance.

Meanwhile, to enhance its ability to safeguard the interests of stakeholders, the Board remains committed to clear and comprehensive financial reporting and disclosure as well as to continuous and ongoing stakeholder engagement.

Board Sub-Committees

Assisting the Board in carrying out its duties and responsibilities are the following Board Sub-Committees;

- Board Audit Committee
- Board Human Resources and Remuneration Committee
- Board Nomination Committee
- Board Integrated Risk Management Committee
- Board Related Party Transactions Review Committee
- Board Credit Committee
- Board Strategic Planning Committee
- Board Shareholder Relations Committee
- Board Treasury Committee
- Board Marketing Committee
- Board IT Committee
- Board Capital Planning Committee

GRI - 102-17,22,24

All committees work in accordance with the Board approved Terms of References (TOR) detailing their responsibilities and outlining the eligibility criteria for committee membership as per applicable laws and regulations. Attendance at committee meetings is mandatory for all committee members. It is the responsibility of Committee Chairpersons to report to the Board after every meeting to keep the Board apprised of any relevant developments.

The Role of the Management

A clear demarcation of roles and responsibilities between the Board of Directors and the senior management has been established in order to build an environment of transparency, confidence and mutual trust to allow the Board to be able to constructively challenge and provide guidance to management.

The Board has delegated the authority and responsibility for day-to-day management of the Bank to the Managing Director and the Corporate Management. Accordingly, the Managing Director and the Corporate Management provide oversight for the implementation of the Board's decisions at an operational level.

The Board holds the Managing Director responsible for the achievement of the Bank's strategic objectives in line with Board approved risk appetite limits. The Managing Director has the authority to delegate the responsibilities for oversight for key functions, to ensure Bank-wide operational oversight.

The Internal Audit function meanwhile is responsible for providing independent assurance to the Board Audit Committee and to the senior management on the effectiveness of the Bank's risk

management processes, governance framework and internal control systems.

The Board is responsible for monitoring the performance of the Managing Director and the Corporate Management to determine the effectiveness with which they have met the Bank's strategic objectives.

Culture and Conduct

As part of its duties, the Board sets the tone from the top to promote the principles of ethics and integrity as the basis of good governance. Board approved policies and procedures create a framework to foster a culture of ethics and good governance across the Bank. These include the Code of Conduct which applies to the Board of Directors, Corporate Management and to all employees separately and establishes standards of desired behaviours including

Directors' Attendance at Board and Mandatory Board Sub Committee Meetings

Director	Classification	Board Meetings	Board Audit Committee	Board HR & Remuneration Committee	Board Nomination Committee	Board Integrated Risk Management Committee	Board Related Party Transactions Review Committee
Mr Harsha Amarasekera ¹	NID/NED	06/06	-	-	02/02	-	-
Prof Malik Ranasinghe ²	IND/NED	11/11	-	-	09/09	-	03/03
Mr Sanjiva Senanayake ³	IND/NED	04/04	-	02/02	04/04	01/01	01/01
Mrs Saumya Amarasekera ⁴	NID/NED	07/07	-	01/03	04/05	02/03	-
Mrs Dhara Wijayatilake ⁵	IND/NED	11/11	-	06/06	09/09	-	03/03
Mr Rushanka Silva	NID/NED	16/16	-	-	07/07	-	-
Mr Deshal de Mel	IND/NED	15/16	14/15	10/10	11/12	09/09	04/05
Mr Ranil Pathirana ⁶	NID/NED	16/16	15/15	-	-	-	-
Ms Annika Senanayake ⁷	IND/NED	16/16	-	10/10	12/12	-	-
Mr Dilip de S Wijeyeratne	IND/NED	16/16	15/15	10/10	-	09/09	03/03
Ms Aroshi Nanayakkara	IND/NED	16/16	-	10/10	-	-	-
Dr Sanjiva Weerawarana	IND/NED	16/16	12/15	-	-	09/09	03/04
Mr Vajira Kulatilaka ⁸	IND/NED	09/09	-	05/05	-	-	04/04
Mrs Keshini Jayawardena ⁹	IND/NED	04/04	-	-	-	-	-
Mr Nanda Fernando	ED	16/16	-	-	-	09/09	-
Mr Ajantha de Vas Gunasekara ¹⁰	ED	04/04	-	-	-	-	-
Total Meetings		16	15	10	12	09	05

1 - Appointed w.e.f. 18.08.2020

2 - Retired w.e.f. 30.08.2020

3 - Retired w.e.f. 12.04.2020

4 - Ceased to be a Director w.e.f. 02.06.2020

5 - Retired w.e.f. 30.08.2020

6 - Retired w.e.f. 01.01.2021

7 - Retired w.e.f. 01.01.2021

8 - Appointed w.e.f. 25.06.2020

9 - Appointed w.e.f. 01.10.2020

10 - Appointed w.e.f. 29.10.2020

CORPORATE GOVERNANCE

► GRI - 102-22,24

the responsibility to be truthful, respect others, and comply with laws, regulations and the Bank's internal policies. Moreover, the Customer Charter, the Whistle Blowing Policy and the Procedure for Dealing with Related Party Transactions, the Policy on Managing Conflict of Interest, the Policy on Communication, the Policy on Fitness and Propriety of Directors and Other Relevant Officers offer guidance to ensure Directors and employees to carry out their duties in accordance with the highest standards of integrity and fairness at all times.

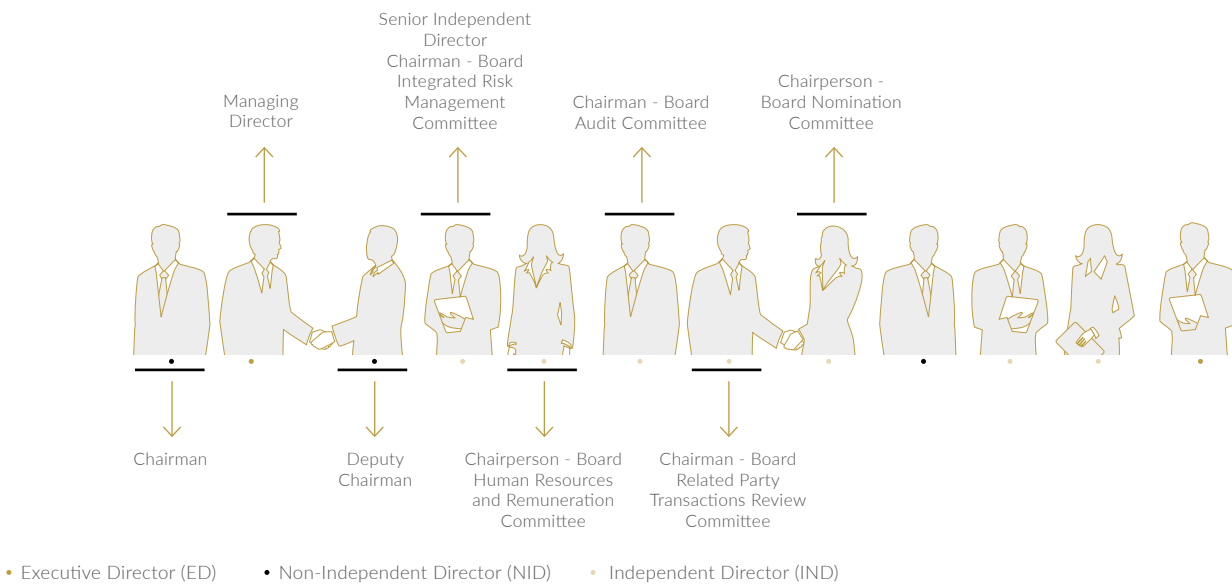
Board Balance

The composition of the Board is governed by Sampath Bank's Articles of Association, the requirements of the Banking Act No. 30 of 1988 and its amendments as well as the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and all other regulations applicable for the Director Boards of Licensed Commercial Banks.

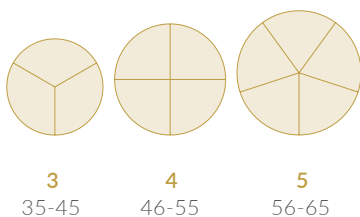
Beyond these stipulated requirements, Sampath Bank strives to maintain an optimal Board balance that will ensure

that the Bank's obligations to shareholders are understood and appropriately met. Accordingly, new appointments are made on merit, taking account of the specific skills and experience, independence and knowledge as well as the diversity benefits each candidate offers to strengthen the robustness of decision making at Board level.

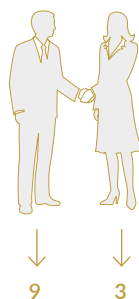
Board Composition as at 31.12.2020



Age Group-wise Composition



Board Gender Representation



Board of Directors' Industry/Background Experience

Experience	No. of Directors*
Engineering	1
Information Technology	1
Banking & Finance	10
Law	2
Marketing	2
HR Management	2
Insurance	1
Business Administration & Management	6

* An individual Director may represent more than one discipline.

Board Focus for 2020

In light of the unprecedented situation that arose due to the COVID-19 pandemic, much of the Board focus for 2020 was centered on managing the Bank's activities during the lockdown period and its immediate aftermath. To prioritise the effective management of stakeholder outcomes during this time, the Board made the following strategic decisions;

➤ **Conduct the Annual General Meeting on a virtual platform**

In a bid to ensure the health and safety of its shareholders while also staying in line with Guidelines issued by the Ministry of Health to prevent the spread of COVID-19, Sampath Bank became the first local corporate entity to host a fully-fledged virtual AGM. The 34th AGM was live streamed from the Bank's Head Office to shareholders without any disruptions, via "Zoom" video communications app. The Bank also leveraged technology to allow 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, in order to ensure the shareholder interest.

➤ **Payment of the final dividend to shareholders**

Reiterating its commitment to shareholders in times of crisis, the Board expedited the payment of the final cash dividend of Rs 11.75 per ordinary share approved at the AGM. The total dividend amounting to Rs 4.5 Bn was paid in June 2020.

➤ **Strengthen BCP controls**

The existing Crisis Management Plan, which comes under the purview of the BCP control procedure was reviewed and updated to improve the Bank's emergency preparedness. The key development in this regard was the establishment of alternative remote work sites to enable several key departments such as Finance and Treasury to continue to work away from the head office. As part of the overall crisis management approach, the current framework for the delegation of authority was also revisited with the Managing Director being granted additional powers under the strict Board oversight. At the same time, due diligence procedures were tightened with the involvement of the Board Audit Committee and the Board Integrated Risk Management Committee.

A series of protocols were also implemented under the supervision of the HR Department to ensure the safety of team members reporting to work during the lockdown period.

➤ **Introduce Virtual Board Meetings**

Board Meetings were migrated to a virtual platform with effect from March 2020 enabling the smooth functioning of the Board functions in view of COVID-19 pandemic.

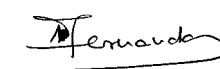
In addition to the COVID-19 management strategies, the Board also focused on the following aspects to further strengthen the Bank's overall governance framework.

➤ **Strengthening Board Diversity**

As a strong advocate of female representation at Board level, Sampath Bank has for the past decade maintained a 70:30 diversity ratio. And with a majority of the current Board due to retire by 31st December 2020, it was decided to take appropriate measures to further expand the degree of Board diversity not only in terms of gender, but also with skills especially in the disciplines of Finance, Risk, Banking, Strategic Planning, Marketing, Information Technology, Human Resources and Legal was also considered a key priority for the selection of new Board members in 2020.

➤ **Reinforcing the governance culture**

A new e-learning module was launched to focus on promoting good governance practices at an operational level. The first phase of the initiative aimed at raising awareness on Corporate Governance requirements, was rolled out for credit related departments in 2020. This was coupled with the launch of a dedicated knowledge sharing and communication portal known as "Towards a Governance Culture" to keep the Board apprised of key developments of Corporate Governance including movements in the Bank's share price.



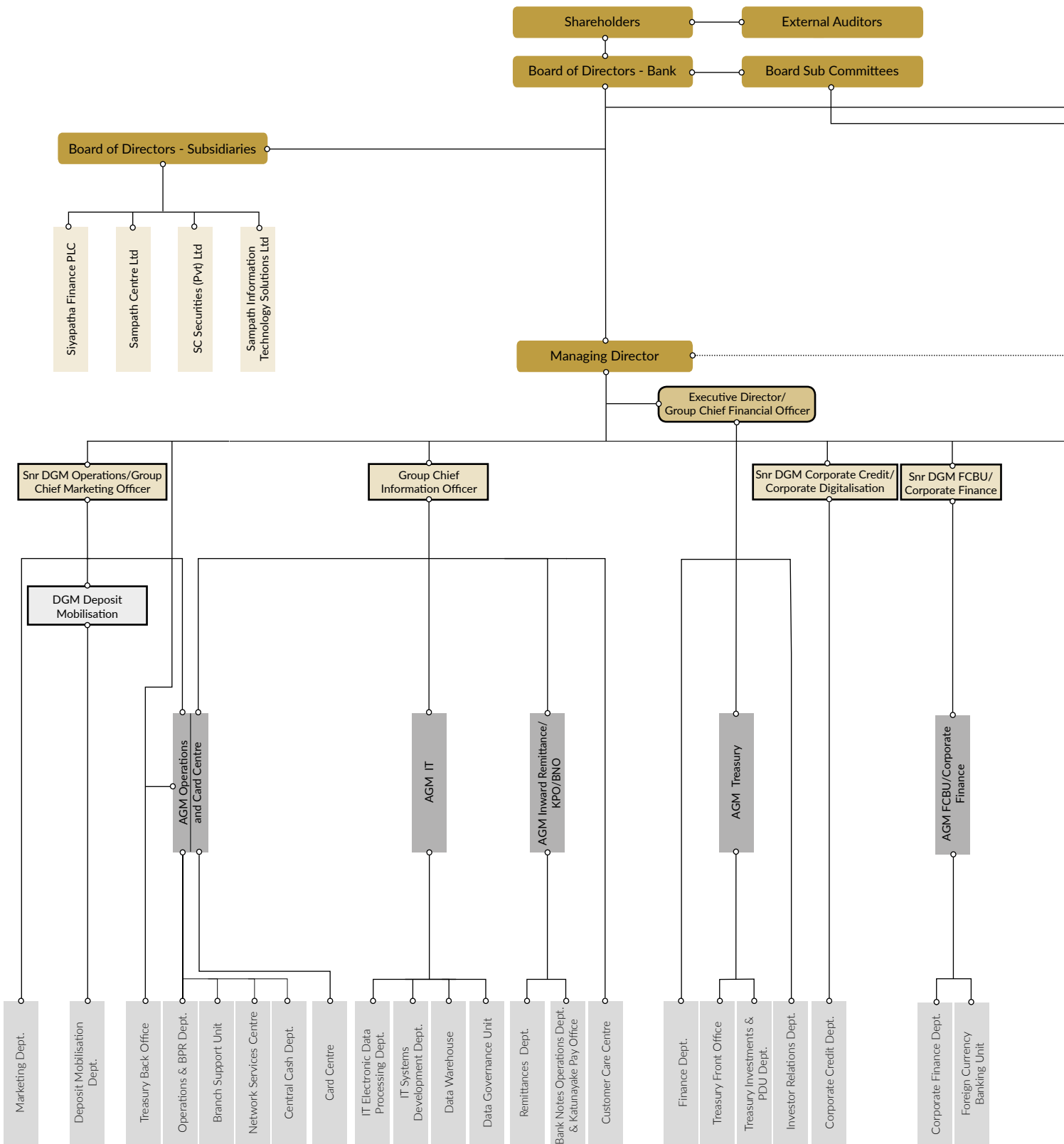
NANDA FERNANDO
Managing Director

Colombo, Sri Lanka
15th February 2021

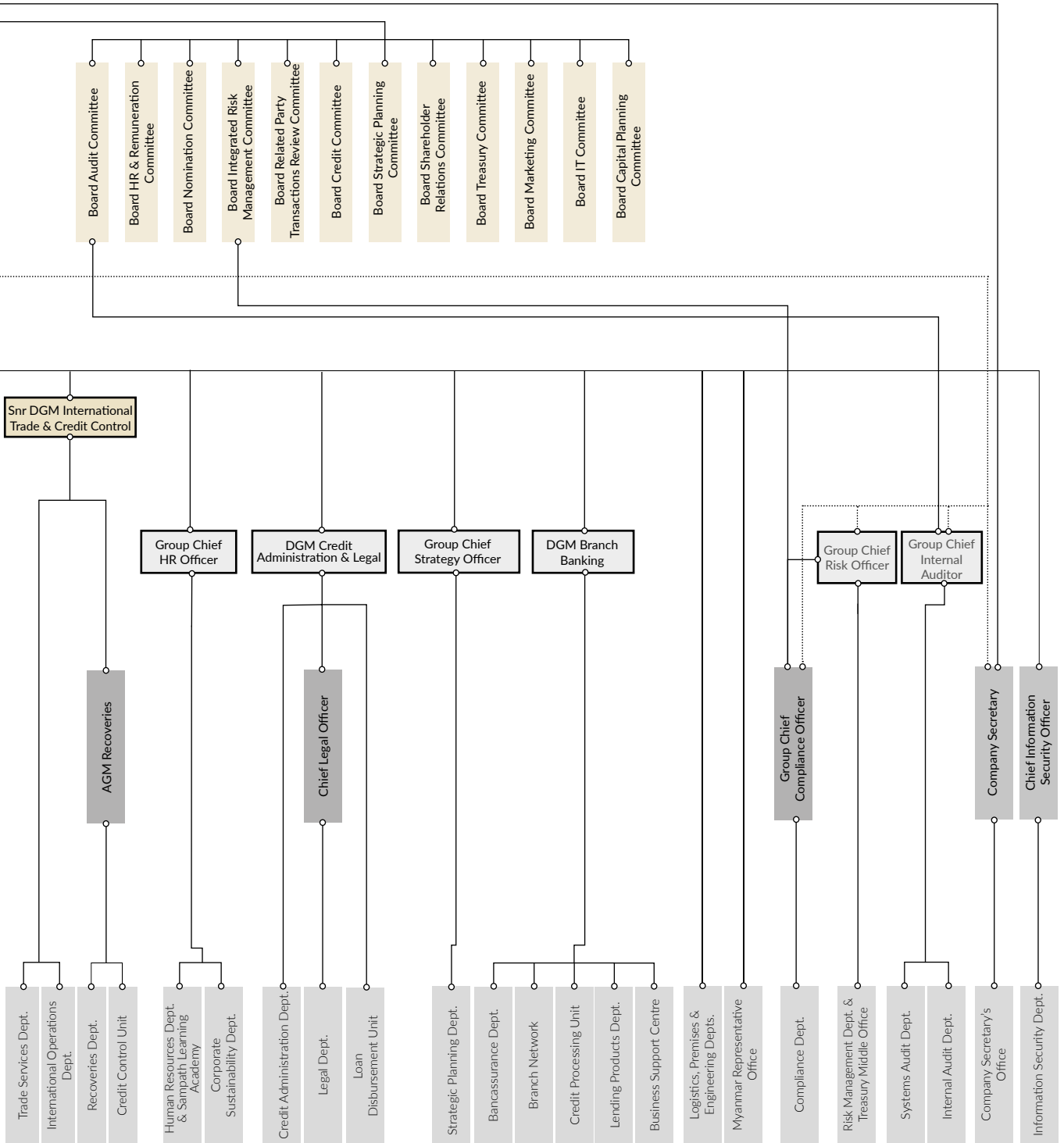
CORPORATE GOVERNANCE

GRI - 102-18,19,20

Governance Structure



Governance Structure



CORPORATE GOVERNANCE

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 COMPANY (THE BANK)																																																					
A	DIRECTORS																																																				
A.1	THE BOARD																																																				
(1)	A.1	Effective Board																																																			
	<p>The Board of Directors as at 31.12.2020, comprised Twelve (12) Directors, of whom Ten (10) including the Chairman, functioned in a Non-Executive capacity. The Managing Director and the Group Chief Financial Officer (GCFO), who are members of the Corporate Management, are the only Two (02) Executive Directors of the Bank. The day-to-day running of the organisation has been delegated to the Managing Director. The Board has appointed Board Sub Committees to assist in discharging its collective duties and to provide a conducive business environment for effective performance of the Bank. The Board is closely involved in developing strategy and setting the short-, medium- and long-term goals of the Bank and regularly monitors performance against pre-determined Key Performance Indicators (KPIs), which include both quantitative and qualitative measures, on a regular basis.</p> <p>In line with the Code, the Board met 16 times during the year 2020, to ensure the effectiveness of discharging its duties.</p> <p>Attendance as a Percentage at Board Meetings During 2020</p> <table border="1"> <thead> <tr> <th>Meeting No.</th> <th>Director</th> <th>Attendance</th> </tr> </thead> <tbody> <tr><td>1</td><td>Mr Harsha Amarasekera^a</td><td>100</td></tr> <tr><td>2</td><td>Prof Malik Ranasinghe^b</td><td>100</td></tr> <tr><td>3</td><td>Mr Sanjiva Senanayake^c</td><td>100</td></tr> <tr><td>4</td><td>Mrs Saumya Amarasekera^d</td><td>100</td></tr> <tr><td>5</td><td>Mrs Dhara Wijayatillake^e</td><td>100</td></tr> <tr><td>6</td><td>Mr Rushanka Silva</td><td>100</td></tr> <tr><td>7</td><td>Mr Deshal de Mel</td><td>100</td></tr> <tr><td>8</td><td>Mr Ranil Pathirana^f</td><td>100</td></tr> <tr><td>9</td><td>Ms Annika Senanayake^g</td><td>100</td></tr> <tr><td>10</td><td>Mr Dilip de S Wijeyeratne</td><td>100</td></tr> <tr><td>11</td><td>Ms Aroshi Nanayakkara</td><td>100</td></tr> <tr><td>12</td><td>Dr Sanjiva Weerawarana</td><td>100</td></tr> <tr><td>13</td><td>Mr Vajira Kulatilaka^h</td><td>100</td></tr> <tr><td>14</td><td>Mrs Keshini Jayawardenaⁱ</td><td>100</td></tr> <tr><td>15</td><td>Mr Nanda Fernando</td><td>100</td></tr> <tr><td>16</td><td>Mr Ajantha de Vas Gunasekara^j</td><td>94</td></tr> </tbody> </table> <p> ^a - Appointed w.e.f. 18.08.2020 ^f - Retired w.e.f. 01.01.2021 ^b - Retired w.e.f. 30.08.2020 ^g - Retired w.e.f. 01.01.2021 ^c - Retired w.e.f. 12.04.2020 ^h - Appointed w.e.f. 25.06.2020 ^d - Ceased to be a Director w.e.f. 02.06.2020 ⁱ - Appointed w.e.f. 01.10.2020 ^e - Retired w.e.f. 30.08.2020 ^j - Appointed w.e.f. 29.10.2020 </p>	Meeting No.	Director	Attendance	1	Mr Harsha Amarasekera ^a	100	2	Prof Malik Ranasinghe ^b	100	3	Mr Sanjiva Senanayake ^c	100	4	Mrs Saumya Amarasekera ^d	100	5	Mrs Dhara Wijayatillake ^e	100	6	Mr Rushanka Silva	100	7	Mr Deshal de Mel	100	8	Mr Ranil Pathirana ^f	100	9	Ms Annika Senanayake ^g	100	10	Mr Dilip de S Wijeyeratne	100	11	Ms Aroshi Nanayakkara	100	12	Dr Sanjiva Weerawarana	100	13	Mr Vajira Kulatilaka ^h	100	14	Mrs Keshini Jayawardena ⁱ	100	15	Mr Nanda Fernando	100	16	Mr Ajantha de Vas Gunasekara ^j	94	<input checked="" type="checkbox"/>
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(2)	A.1.1	Regular Meetings																																																			
	<p>Board meetings are held monthly whilst special Board meetings are convened as and when required. During 2020 the Board held 16 scheduled meetings. In addition, the following Board Sub Committees met regularly during the year:</p> <table border="1"> <tbody> <tr> <td>1. Board Audit Committee</td> <td>7. Board Strategic Planning Committee</td> </tr> <tr> <td>2. Board Human Resources & Remuneration Committee</td> <td>8. Board Shareholder Relations Committee</td> </tr> <tr> <td>3. Board Nomination Committee</td> <td>9. Board Treasury Committee</td> </tr> <tr> <td>4. Board Integrated Risk Management Committee</td> <td>10. Board Marketing Committee</td> </tr> <tr> <td>5. Board Related Party Transactions Review Committee</td> <td>11. Board IT Committee</td> </tr> <tr> <td>6. Board Credit Committee</td> <td>12. Board Capital Planning Committee</td> </tr> </tbody> </table> <p>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.</p> <p>The Board members use iPads to access Board Papers via secure connections and are able to join meetings even through remote access, such as video conference. Details of Board Meetings, Mandatory Board Sub Committee Meetings and attendance are given on page 121 of this report.</p> <p>In 2020, majority of the Board and Board Sub Committee Meetings were conducted virtually enabling the smooth functioning of the Board functions in view of COVID-19 pandemic.</p>	1. Board Audit Committee	7. Board Strategic Planning Committee	2. Board Human Resources & Remuneration Committee	8. Board Shareholder Relations Committee	3. Board Nomination Committee	9. Board Treasury Committee	4. Board Integrated Risk Management Committee	10. Board Marketing Committee	5. Board Related Party Transactions Review Committee	11. Board IT Committee	6. Board Credit Committee	12. Board Capital Planning Committee	<input checked="" type="checkbox"/>																																							
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ICASL Code Reference	Principle, Compliance and Implementation	Complied
	BOARD'S RESPONSIBILITIES: TO PROVIDE ENTREPRENEURIAL LEADERSHIP WITHIN A FRAMEWORK OF EFFECTIVE CONTROLS, STRENGTHENING THE SAFETY AND SOUNDNESS OF THE BANK	
(3) A.1.2	Ensure the Formulation and Implementation of Sound Business Strategy	
	The Board is responsible for setting up the strategic plan, policies and for monitoring performance against agreed goals and KPIs. During the year, the Board held 08 Strategic Planning meetings, where the Board reviewed the progress of the Strategic Plan 2020-2022 and re-aligned strategies based on proposals of the Corporate Management where necessary and formulated and approved the strategic plan for the period 2021 to 2023.	☑
(4) A.1.2	The Board has appointed a Chairman who is a Non-Independent Non-Executive Director and has also appointed a Senior Independent Director	☑
(5) A.1.2	The Board is responsible to ensure that the Chief Executive Officer (CEO)/Managing Director (MD) and the Management Team possess Skills, Experience and Knowledge to Implement the Strategy	
	The Managing Director and the Corporate Management team possess the necessary skills, knowledge and experience required to implement the strategy of the Bank.	☑
(6) A.1.2	Succession Strategy for CEO and KMPs	
	The Board Nomination Committee is responsible for adopting an effective succession strategy with regard to the MD and KMPs, in support of which, a Board-approved Procedure for Selection, Nomination and Appointment of MD and KMPs is in place.	☑
(7) A.1.2	Approval of Budgets and Major Capital Expenditure	
	The Board is responsible for reviewing and approving major capital expenditure budgets based on a formal procedure.	☑
	The budgets for the ensuing year are approved by the Board along with the revolving Strategic Plan for the ensuing year. At the quarterly review of the Strategic and Budget Plan for 2020-2022, the compliance with the cost budgets was also reviewed.	
(8) A.1.2	Determining the Matters Expressly Reserved to the Board and those Delegated to the Management	
	A Board-approved formal schedule of matters specifically 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 Bank's Memorandum and Articles of Association, where necessary.	☑
(9) A.1.2	Ensure Effective Systems to Secure Integrity of Information, Internal Controls, Business Continuity and Risk Management	
	The Board Audit Committee reviews Internal Audit reports submitted by the Internal Audit Department and monitors follow up action. Based on the assessment of Internal Control Over Financial Reporting (ICOFR) for 2020, the Directors confirmed that the Bank's ICOFR procedure is effective. A descriptive account of the measures taken in this regard is contained in the Board Audit Committee Report given on pages 170 to 172.	☑
	A Board-approved, annually-reviewed Business Continuity Plan is in place. Disaster Recovery (DR) Drill was carried out pertaining to the year 2020 in compliance with the requirements of such Business Continuity Plan. The Bank established a Task Force in order to implement proper BCP arrangements with the COVID-19 pandemic situation in the country. The situation of the country was reviewed regularly and BCP strategies were implemented accordingly.	☑

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
	<p>An independent Risk Management Unit has been established, headed by the Group Chief Risk Officer who functionally reports to the Board Integrated Risk Management Committee. The Risk Management Unit is tasked with the responsibility of assessing and mitigating various risks encountered by the Bank and the Group in carrying out their respective businesses.</p> <p>Apart from the implementation of several Tiers of Firewalls and other systems to secure Databases and Applications, the Bank has enforced conducting of Vulnerability Assessments and Code Reviews to the Software Development Life Cycle to ensure the integrity of Information. Also, the Bank gets the services of an external party to conduct quarterly Vulnerability Assessments and Annual Penetration Tests to identify vulnerabilities so that possible threats could be identified and fixed in advance.</p> <p>Currently the Bank is conducting Privilege Access review using Privilege Access Management (PAM) reports. Initiated Risk Assessments to cover all departments and Branches to identify their related information security risks and formulate risk treatment plans. The Bank has formed an "Incident Response Team (IRT)" to take immediate actions in the event of a security breach to ensure business continuity and Information Security.</p>	☑
(10)	A.1.2	Ensure Compliance with Laws, Regulations and Ethical Standards
	<p>An independent Compliance function too has been established, which is headed by the Group Chief Compliance Officer who functionally reports to the Board Integrated Risk Management Committee, which is tasked with ensuring the Bank's compliance with laws and regulations.</p> <p>In order to ensure that ethical standards are followed, the Board-approved Policy on Managing Conflicts of Interest, the Whistle Blowing Policy, the Procedure on Dealing with Related Party Transactions, the Customer Charter, the Codes of Conduct for Employees, the Key Management Personnel, and the Code of Conduct and Governance Requirements for Directors have been implemented Bank-wide and as appropriate.</p>	☑
(11)	A.1.2	Ensure all Stakeholder Interests are Considered in Corporate Decisions
	<p>The Articles of Association of the Bank requires the Directors to make decisions, taking into account the interest of all stakeholders including customers, shareholders, employees and the community. Additionally, the Customer Charter, the Board Shareholder Relations Committee, Bank's HR Policy, the Policy on Managing Conflicts of Interest as well as the Board Related Party Transactions Review Committee are in place in order to uphold the interests of these key stakeholders.</p>	☑

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(16) A.1.2	Fulfil such other Board Functions as are Vital, given the Scale, Nature and Complexity of the Business Concerned	
	The Board is committed to fulfil its functions in line with the laws, regulations and good governance practices adopted by the Bank.	<input checked="" type="checkbox"/>
(17) A.1.3	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.	<input checked="" type="checkbox"/>
(18) A.1.4.A	Directors' Access to Advice and Services of the Company Secretary and 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 a KMP responsible for ensuring follow-up of Board procedures, compliance with relevant rules and regulations, directions and statutes. Under this procedure, during the year under review, the Company Secretary provided advice to the Board where necessary.	<input checked="" type="checkbox"/>
	The Articles of Association of the Bank specify that the appointment and removal of the Company Secretary shall be by way of a Board resolution.	<input checked="" type="checkbox"/>
(19) A.1.4.B	Insurance Cover for Board of Directors and KMPs	
	An insurance policy is in place to cover the Board of Directors and KMPs of the Bank.	<input checked="" type="checkbox"/>
(20) A.1.5	Independent Judgement	
	Directors exercise independent judgement in the effective discharge of duties, engaging in constructive Board deliberations and objective evaluation of matters set before them.	<input checked="" type="checkbox"/>
(21) A.1.6	Dedicate Adequate Time and Effort to Matters of the Board and the Company	
	Dates of regular Board meetings and regular 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 papers closer to the meeting on an exceptional basis.	<input checked="" type="checkbox"/>
	Every Director dedicated adequate time and effort to matters pertaining to the Board and the Bank. These Directors who are also members of Board Sub Committees have satisfactorily discharged their duties and responsibilities towards the affairs of the Bank. The attendance at meetings of the Board and its mandatory Sub Committees is given on page 121.	
(22) 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 enabling all Directors to include proposals in the Agenda.	<input checked="" type="checkbox"/>

GRI - 102-22,23,27

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(23) A.1.8	<p>Training for Directors</p> <p>The Company Secretary, in consultation with the Chairman, recommends Directors to attend training sessions/seminars. During the year 2020, the Directors attended the following training programmes focused on the following areas:</p> <ul style="list-style-type: none"> ➤ Impact of the COVID-19 to the Banking Business conducted by Boston Consulting Group ➤ Workshop on AML/CFT Obligations for Board of Directors of the Licensed Banks conducted by the Financial Intelligence Unit of CBSL ➤ Non-Executive Director Masterclass in collaboration with London Stock Exchange Group Academy ➤ "In the new normal, how will Audit Committees in Banks prepare for the financial year end?" conducted by E&Y ➤ "How BIRMC can respond to Credit Risk Management during pandemic" conducted by E&Y ➤ Sri Lanka Economic Summit 2020 conducted by the Ceylon Chamber of Commerce ➤ Budget 2021 conducted by Frontier Research <p>Additionally, the Board encourages knowledge sharing amongst the Directors. The Board being the highest governance body identifies the significance of developing and enhancing its collective knowledge on economic, environmental and social topics. The annual self-assessment by Directors also covers aspects on training to identify training needs for Directors.</p> <p>A dedicated knowledge sharing and communication portal known as "Towards a Governance Culture" was introduced to keep the Board apprised of key developments of Corporate Governance including movements in the Bank's share price.</p> <p>In addition, a formal Induction Programme is conducted for the newly appointed Directors.</p>	☑
A.2	DIVISION OF RESPONSIBILITIES BETWEEN CHAIRMAN AND MANAGING DIRECTOR (MD)	
(24) A.2	<p>Conducting the Business of the Board Separately to the Executive Responsibilities of the Management of the Company</p> <p>The positions of the Chairman and the CEO/MD have been separated in line with best practices in order to maintain a balance of power and authority. The Chairman is a Non-Executive Director while the CEO/MD is an Executive Director.</p>	☑
A.3	CHAIRMAN'S ROLE	
(25) A.3	<p>Chairman's Role in Preserving Good Corporate Governance</p> <p>The Chairman's functions and responsibilities which include all aspects specified in the Code, the Continuing Listing Requirements of the CSE and the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka have been documented and duly approved by the Board.</p>	☑
(26) A.3.1	<p>Conduct Board Proceedings in a Proper Manner</p> <p>The routine Agenda for Board Meetings has been developed by the Chairman in consultation with all other Directors including the CEO/MD and the Company Secretary. These items include discussions on strategy, the Bank's performance, Industry Performance, Financials, status of Human Resources, Risk Management and Compliance, Treasury update, update on Bank's status on Cyber Security and Information on exercising authorities delegated by the Board upon Management.</p> <p>Board proceedings are conducted according to the Agenda. The papers for discussion and the Agenda are generally circulated seven days prior to the meeting by uploading the same via a secure link. All Directors have been provided with iPads to enable them to access the current as well as the past Board papers via this secure link.</p>	☑

CORPORATE GOVERNANCE

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ICASL Code Reference	Principle, Compliance and Implementation	Complied
	The Code of Conduct and Governance Requirements for Directors and the Terms of Reference of each Board Sub Committee spell out the Directors' duties and responsibilities and the standard of care expected of them. These documents too have been uploaded as "Shared Documents" providing easy and prompt access via the said secure link to Directors.	☑
	All 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.	☑
	All Directors have access to Management to seek Information for discussions at Board Meetings. Board papers are quite informative and any further information required by Directors are provided by the Management, upon request. All Directors have the liberty to request inclusion of matters of concern in the Agenda, which is supported by the Board-approved Procedure to enable Directors to include matters and proposals in the Agenda.	☑
	The Board as at 31.12.2020, comprised of Ten Non-Executive Directors and Two Executive Directors, ensuring the required balance and independence was maintained.	☑
	The Minutes of Board Meetings and Board Sub Committee Meetings carry various concerns raised and views expressed by Directors individually in the deliberations as precisely as possible.	☑
	The Board is aware of its responsibility towards all stakeholders of the Bank and are in control of the affairs of the Bank.	☑
A.4	FINANCIAL ACUMEN	
(27) A.4	Availability of Financial Acumen and Knowledge to offer Guidance on Matters of Finance	
	Financial acumen has been a key attribute in the careers of the following Directors who have held senior positions related to finance in other leading financial institutions:	☑
	<ul style="list-style-type: none"> ➤ Mr Ranil Pathirana ➤ Mr Rushanka Silva ➤ Mr Dilip de S Wijeyeratne ➤ Ms Aroshi Nanayakkara ➤ Mr Deshal de Mel ➤ Mr Vajira Kulatilaka ➤ Mr Harsha Amarasekera ➤ Mrs Keshini Jayawardena ➤ Mr Ajantha de Vas Gunasekara 	
A.5	BOARD BALANCE	
(28) A.5.1	Non-Executive Directors of Sufficient Calibre and Number	
	The Board, as at 31.12.2020, comprised Ten Non-Executive Directors including the Chairman and Two Executive Directors who are the CEO/MD and the GCFO; the majority being Non-Executive Directors as prescribed by the Code.	☑
	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 Non-Executive Directors, their opinions and views carry significant weight in the Board decisions.	☑
	The Chairman is a President's Counsel, and is an eminent legal practitioner in Sri Lanka with a wide practice in both the Commercial Courts as well as the Appellate Courts. MD is a Senior Fellow Member of the Institute of Bankers of Sri Lanka (IBSL). One Director holds a PhD in Computer Science. Five Directors, including the MD, hold a Masters' Degrees in Business Administration, International Political Economy, Industrial Engineering and Management. Six Directors hold Bachelor's degrees in Commerce, Arts, Civil Engineering, Management, Philosophy, Political Science and Economics. Three Directors are Fellow Members and Two Directors are Associate Members of the Chartered Institute of Management Accountants, UK. One Director is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka as well as a Fellow Member of Certified Management Accountants of Sri Lanka, whilst one Director is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and another Director is a Chartered Financial Analyst.	☑

ICASL Code Reference	Principle, Compliance and Implementation	Complied
	<p data-bbox="347 506 767 533"><u>Executive Directors & Non-Executive Directors</u></p>  <p data-bbox="347 891 576 943"> ■ Non-Executive Directors ■ Executive Directors </p>	
(29) A.5.2	<p data-bbox="336 981 1018 1010">Two-Thirds of the Non-Executive Directors should be Independent</p> <p data-bbox="336 1014 1334 1211">As at 31.12.2020, Seven (07) out of the Ten (10) Non-Executive Directors of the Bank were Independent of management and 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, thereby meeting the criteria of both, the Code as well as of the Banking Act Direction No. 11 of 2007 Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (CBSL), and complying with the regulatory requirement.</p> <p data-bbox="347 1238 727 1265"><u>Independence of Non-Executive Directors</u></p>  <p data-bbox="347 1601 719 1653"> ■ Independent, Non-Executive Directors ■ Non-Independent, Non-Executive Directors </p>	☑
(30) A.5.3	<p data-bbox="336 1697 767 1727">Independence of Non-Executive Directors</p> <p data-bbox="336 1731 1342 1827">As at 31.12.2020, Seven (07) of the Non-Executive Directors were independent of management and 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.</p>	☑

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(31) A.5.4	Annual Declarations have been obtained from each Non-Executive Director as to the status of Independence/Non-Independence for the year 2020	☑
(32) A.5.5	Annual Evaluation of Independence The Board carried out the annual evaluation of independence of the Directors based on the submission of the annual declarations. Based on these declarations, the following Directors were deemed to be independent as at 31.12.2020: <ul style="list-style-type: none"> ➤ Ms Annika Senanayake ➤ Mr Dilip de S Wijeyeratne ➤ Ms Aroshi Nanayakkara ➤ Mr Deshal de Mel ➤ Dr Sanjiva Weerawarana ➤ Mr Vajira Kulatilaka ➤ Mrs Keshini Jayawardena 	☑
(33) 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/approvals. However, an executive of the Company should not be appointed as an Alternate Director of the Company. There were no alternate Directors appointed during the year 2020.	☑
(34) A.5.7 (a)	Appointment of Senior Independent Director (SID) The requirement of a Senior Independent Director (SID) arose following the retirement of the Independent, Non-Executive Chairman, Prof Malik Ranasinghe w.e.f 30.08.2020. Accordingly, Mr Harsha Amarasekera, who is a Non-Independent, Non-Executive Director was appointed as the Chairman w.e.f. 30.08.2020, and the Board appointed Mr Deshal de Mel as the SID of the Board, to ensure the independent element in decision making.	☑
(35) A.5.7 (b)	Meetings with the Senior Independent Director The SID, upon his appointment in September 2020, held adequate number of meetings with the Non-Executive Directors and the Executive Directors during the year 2020.	☑
(36) A.5.8	The SID is available for the Non-Executive Directors for Confidential Discussions and Represents all Stakeholder Groups at Meetings	☑
(37) A.5.9	Chairman to hold Meetings with Non-Executive Directors, without Executive Directors being Present One meeting was held between the Chairman and the Non-Executive Directors without the Executive Directors being present during the year 2020.	☑
(38) A.5.10	Recording of Directors' Concerns in Board Minutes Board Minutes are prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/action. These Minutes are circulated and formally approved at Board meetings. In the process of minuting the proceedings of a meeting, the concerns raised by each Director are clearly recorded together with the responses of the others.	☑
A.6	SUPPLY OF RELEVANT INFORMATION	
(39) A.6.1	Provision of Appropriate and Timely Information The management provides comprehensive information including both quantitative and qualitative information for the monthly Board Meetings. The Directors also have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Company's expense, in support of which a Board-approved Policy is in place.	☑

GRI - 102-24,27,28

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(40) A.6.1	<p>Chairman to Ensure all Directors are Properly Briefed on Issues Arising at Board Meetings</p> <p>All Directors are promptly and 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.</p> <p>Any Director who was unable to attend a meeting is updated on proceedings prior to the next meeting through:</p> <ul style="list-style-type: none"> ➤ 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 action 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. 	☑
(41) A.6.2	<p>Board Papers and Agenda to be Circulated Seven Days Prior to Meetings</p> <p>As described above, Board papers are generally circulated seven days before the meeting. There is provision 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.</p> <p>Minutes of Board meetings are generally provided within the stipulated period.</p>	☑ ☑
A.7	APPOINTMENTS TO THE BOARD	
(42) A.7.1	<p>Formal and Transparent Procedure for New Appointments through an Established Nomination Committee</p> <p>The Board has established a Board Nomination Committee whose Terms of Reference complies with the specimen given in the Code and with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks. Membership of the Board Nomination Committee is given on page 175 of the Annual Report. New Directors (both Executive and Non-Executive) are appointed by the Board upon consideration of recommendations by the Board Nomination Committee in terms of the Board-approved Policy on Selection, Nomination, Appointment and Election of Directors which is in place, in support of this process.</p>	☑
(43) A.7.2	<p>Annually Assess Board Composition</p> <p>The Board annually assesses its composition to ascertain whether the combined knowledge, skill and experience matches the strategic demands facing the Bank and is satisfied that it matches the requirements demanded.</p> <p>The Board Nomination Committee considers the outcome of such assessments when appointments to the Board are proposed.</p>	☑

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(44) A.7.3	<p>Disclosure of Information to Shareholders upon Appointment of New Directors</p> <p>All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in the English language, 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.</p> <p>The appointment of the following Directors were announced to the public in this manner during the year under review.</p> <ul style="list-style-type: none"> ➤ Mr Vajira Kulatilaka ➤ Mr Harsha Amarasekera ➤ Mrs Keshini Jayawardena ➤ Mr Ajantha de Vas Gunasekara <p>Further, the profiles of the current Directors are given on pages 20 to 25 in this Annual Report.</p>	☑
A.8	RE-ELECTION	
(45) A.8	<p>All Directors should Submit Themselves for Re-Election at Regular Intervals</p> <p>As per the Articles of Association of the Bank, one-third of the Directors retire at each Annual General Meeting and offer themselves for re-election. Such Directors who retire are those who held office for the longest period since their election/re-appointment. In accordance with this provision, the following Directors retire and offer themselves for re-election at the 35th Annual General Meeting:</p> <ul style="list-style-type: none"> ➤ Ms Aroshi Nanayakkara ➤ Dr Sanjiva Weerawarana ➤ Mr Deshal de Mel <p>Following Directors were re-elected at the 34th Annual General Meeting:</p> <ul style="list-style-type: none"> ➤ Ms Annika Senanayake ➤ Mr Rushanka Silva ➤ Mr Dilip de S Wijeyeratne ➤ Mr Ranil Pathirana <p>A brief resume of each Director standing for re-election is given on pages 20 to 25 in this Annual Report to enable shareholders to make an informed decision.</p> <p>The Board and the Board Nomination Committee are actively engaged in succession planning for both Executive and Non-Executive Directors to ensure that Board composition is periodically reviewed to ensure that the Board retains its effectiveness at all times.</p>	☑
(46) A.8.1	<p>Non-Executive Directors are Appointed for Specified Terms Subject to Re-Election</p> <p>Non-Executive Directors are appointed with approval of the Central Bank of Sri Lanka (CBSL) and stand for election at the immediately succeeding Annual General Meetings in terms of Articles of Association of the Bank. This is in compliance with the requirements of the Code as well as the said CBSL Direction No. 11 of 2007.</p> <p>Mr Vajira Kulatilaka, Mr Harsha Amarasekera and Mrs Keshini Jayawardena who were the Non-Executive Directors appointed to the Board, during the year under review, w.e.f. 25.06.2020, 18.08.2020 and 01.10.2020 respectively will be subject to election by the shareholders at the Annual General Meeting to be held on 30.03.2021.</p>	☑

▶ GRI - 102-28

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(47) A.8.2	All Directors including Chairman to be Subject to Election at First Opportunity after Appointment and Re-Election in line with the requirements of the Articles of Association	
	<p>All Directors stand for election by shareholders at Annual General Meetings immediately following their appointment. Ms Aroshi Nanayakkara, Dr Sanjiva Weerawarana and Mr Deshal de Mel who were appointed to the Board w.e.f. 30.05.2019, 01.06.2019 and 26.09.2019, were elected by the shareholders at the 34th Annual General Meeting held on 02.06.2020.</p> <p>During the year under review, Mr Vajira Kulatilaka, Mr Harsha Amarasekera, Mrs Keshini Jayawardena and Mr Ajantha de Vas Gunasekara who were appointed to the Board w.e.f. 25.06.2020, 18.08.2020, 01.10.2020 and 29.10.2020 respectively to fill up casual vacancies in the Board, will come up for election by the shareholders at the Annual General Meeting to be held on 30.03.2021.</p> <p>As per the Articles of Association of the Bank, one-third of the total Directors retire at each Annual General Meeting and offer themselves for re-election.</p>	<p>☑</p> <p>☑</p>
(48) A.8.3	Resignation of a Director	
	<p>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 formally tabling his/her resignation along with reasons for such resignation. Such requests would be duly tabled at the immediately succeeding Board Meeting.</p> <p>During the year under review, Mrs Saumya Amarasekera did not offer herself to be re-elected as a Director of Bank at the 34th Annual General Meeting, and ceased to be a Director w.e.f. 02.06.2020.</p>	☑
A.9	APPRAISAL OF BOARD PERFORMANCE	
(49) A.9.1	Appraisal of Board 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.	☑
(50) A.9.2	Appraisal of Board Sub Committees	
	The annual self-assessment of the Board Sub Committees too follows a similar process and the reports are retained by the Company Secretary.	☑
(51) 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 followed simultaneously with the Board Performance Evaluation by the Directors.	☑
(52) 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	☑
A.10	DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS	
	Shareholders should be kept advised of relevant details in respect of Directors	
(53) A.10.1	Annual Report Discloses the Following Information Relating to Directors:	
	<ul style="list-style-type: none"> ➤ Name, qualifications, expertise in relevant functional areas, material business interests and a brief profile of each Director is given on pages 20 to 25. ➤ Each Director's Executive/Non-Executive and Independent/Non-Independent status is given on pages 20 to 25. ➤ Related Party Transactions are given on pages 298 to 301. ➤ Names of companies and other entities in which each Director concerned serves as a Board member are given on pages 20 to 25. ➤ Membership of Directors in Board Mandatory Sub Committees are given on pages 170 to 181 and their attendance at Board Meetings and Board Sub Committee meetings are given on page 121. 	<p>☑</p> <p>☑</p> <p>☑</p> <p>☑</p> <p>☑</p>

CORPORATE GOVERNANCE

▶ GRI - 102-35,36

ICASL Code Reference	Principle, Compliance and Implementation	Complied
A.11	APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)/MANAGING DIRECTOR (MD) The Board should, at least annually, assess the performance of the CEO	
(54) A.11.1	Set Reasonable Financial and Non-Financial Targets to be Met by the CEO/MD The Board 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 at the beginning of 2020.	☑
(55) A.11.2	Evaluate Performance of the CEO/MD with Reference to Targets The performance evaluation of the MD for 2019 was carried out by the Board HR & Remuneration Committee with reference to 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 2019.	☑
B	DIRECTORS' REMUNERATION	
B.1	REMUNERATION PROCEDURE	
(56) B.1.1	Appointment of a Remuneration Committee The Board has established a Board Human Resources & Remuneration Committee (Board HR & Remuneration Committee) to develop policies and recommend remuneration for the Directors and KMPs respectively for approval by the Board. No Director is involved in deciding his/her own remuneration. The Terms of Reference of this Committee is substantially in compliance with Schedule C of the Code and other regulatory guidelines and the Committee held 10 meetings during the year under review. The Board follows the Board-approved Reward Management Policy for Key Management Personnel, as well as the Board-approved Directors' Remuneration Policy in recommending remuneration for the KMPs and Directors for approval by the Board. Further information regarding the Board HR & Remuneration Committee is given in the Board HR & Remuneration Committee Report on pages 173 and 174.	☑
(57) B.1.2 & B.1.3	Remuneration Committee to Comprise Exclusively of Non-Executive Directors, of whom the Majority should be Independent whilst the Chairperson of the Committee should be an Independent Director The Board HR & Remuneration Committee's composition as at 31st December 2020 is: <ul style="list-style-type: none"> ➤ Ms Aroshi Nanayakkara (Chairperson) (IND/NED) ➤ Ms Annika Senanayake (IND/NED) ➤ Mr Dilip de S Wijeyeratne (IND/NED) ➤ Mr Deshal de Mel (IND/NED) ➤ Mr Vajira Kulatilaka (IND/NED) (IND - Independent Director, NED - Non-Executive Director)	☑
(58) B.1.4	Remuneration for Non-Executive Directors Remuneration of Non-Executive Directors is determined by the Board as a whole, in accordance with the Board-approved Policy on Directors' Remuneration, which is in line with the Articles of Association of the Bank.	☑
(59) B.1.5	Remuneration of Executive Directors The Board-approved Reward Management Policy for KMPs which is in place governs the remuneration of the Executive Directors as well, as the Executive Directors being KMPs.	☑
B.2	THE LEVEL AND MAKEUP OF REMUNERATION	
(60) B.2.1 & B.2.2	Remuneration for Executive Directors should Attract, Retain and Motivate Remuneration for Executive Directors designed to attract, retain and motivate them as determined by the Board HR & Remuneration Committee.	☑

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(61) B.2.3	Positioning Company Remuneration Levels Relative to Other Companies The Board HR & Remuneration Committee, where necessary, reviews the Bank's remuneration levels in relation to the industry standards of the country.	☑
(62) B.2.4	Sensitivity of the Remuneration Committee to Remuneration and Employment Conditions When considering employee incentives, the Board HR & Remuneration Committee is mindful of the comparative employment conditions and considers the nature and extent of responsibility, the work volume and the level of performance against the targets set.	☑
(63) B.2.5	Performance Related Elements of Remuneration for Executive Directors Considering the recommendations made by the Board HR and Remuneration Committee, the Board approved an extremely challenging, but transparent set of targets for the Executive Directors. These targets are intended to earn the highest value additions to all stakeholders.	☑
(64) B.2.6	Share Option Schemes No share option scheme was implemented or introduced during 2020.	☑
(65) B.2.7	Designing Schemes of Performance Related Remuneration A scheme of team based performance related remuneration has been in force in the Bank since 2016. However, under this scheme, no performance related remuneration is granted with effect in the retrospect.	☑
(66) B.2.8	Early Termination of Employment of Directors 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 come to an end in the circumstances set out in the Board-approved Procedure for Selection, Nomination and Appointment 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 including MD, who are employees of the Bank are governed by their respective Contracts of Employment.	☑
(67) B.2.9	Dealing with Early Termination As stated in B 2.8 above, the Bank has not adopted a Policy or a practice to grant compensation to Non-Executive Directors whose term is prematurely determined for any reason whatsoever.	☑
(68) 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 of their role and market practices. Remuneration for Non-Executive Directors does not include share option schemes. A Board-approved policy on Directors' Remuneration is in place, setting out the Bank's policy and principles with regard to remuneration for the Non-Executive Directors.	☑
B.3	DISCLOSURE OF REMUNERATION	
(69) B.3.1	Composition of Board HR & Remuneration Committee, Remuneration Policy and Disclosure of Aggregate Remuneration Paid to Directors The composition of the Board HR & Remuneration Committee and its report is given on pages 173 and 174. The aggregate remuneration to Executive and Non-Executive Directors is given in Note 46.3.1 to the Financial Statements on page 298.	☑ ☑

CORPORATE GOVERNANCE

GRI - 102-33

ICASL Code Reference	Principle, Compliance and Implementation	Complied
C	RELATIONS WITH SHAREHOLDERS	
C.1	CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS	
(70) C.1.1	Constructive Use of the AGM & other General Meetings	
	The Annual General Meeting is the main forum for contact between shareholders and the Board. <input checked="" type="checkbox"/>	
	Sampath Bank became the first local corporate entity to host a fully-fledged virtual AGM. The 34th AGM was live streamed from the Bank's Head Office to shareholders without any disruptions, via "Zoom" video communications app, in line with the guidelines issued by the Ministry of Health. <input checked="" type="checkbox"/>	
	The Annual Report, together with the Notice of the AGM and the other papers related thereto, are duly circulated to all shareholders, 15 working days prior to the AGM. <input checked="" type="checkbox"/>	
(71) C.1.2	Adoption of Separate Resolution and Count of all Proxy Votes Lodged	
	A separate resolution is proposed on each substantially separate issue and particularly relating to the adoption of the Annual Report of the Board of Directors (the Report) and the Accounts. <input checked="" type="checkbox"/>	
	In 2020, a separate resolution was proposed and adopted on each substantially separate issue. The Report and the Accounts were adopted by separate resolutions. <input checked="" type="checkbox"/>	
	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. <input checked="" type="checkbox"/>	
(72) 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 after the deadline for Proxies to be lodged as per the Notice of Meeting and the number of votes received for and against each resolution is announced at the relevant General Meeting. <input checked="" type="checkbox"/>	
	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. <input checked="" type="checkbox"/>	
(73) C.1.4	Availability of Board Sub Committee Chairperson at AGM	
	Board Sub Committee Chairpersons are available at the AGM, to answer any questions raised at the AGM. <input checked="" type="checkbox"/>	
	At the first ever fully Virtual AGM held on 02nd June 2020, the following Chairpersons were present:	
	➤ Mr Dilip de S Wijeyeratne (Chairman - Board Audit Committee & Board Treasury Committee)	
	➤ Mrs Dhara Wijayatilake (Chairperson - Board Human Resources & Remuneration Committee & Board Related Party Transactions Review Committee)	
	➤ Ms Annika Senanayake (Chairperson - Board Nomination Committee)	
	➤ Mr Deshal de Mel (Chairman - Board Integrated Risk Management Committee)	
	➤ Prof Malik Ranasinghe (Chairman - Board Credit Committee, Board Strategic Planning Committee & Board Capital Planning Committee)	
	➤ Mr Rushanka Silva (Chairman - Board Shareholder Relations Committee)	
	➤ Dr Sanjiva Weerawarana (Chairman - Board IT Committee)	
	➤ Ms Aroshi Nanayakkara (Chairperson - Board Marketing Committee)	
(74) C.1.5	Circulation of Notice of AGM and Related Documents to Shareholders	
	Notice of the AGM and related papers are circulated to shareholders at least 15 working days prior to the meeting in accordance with the regulations. <input checked="" type="checkbox"/>	

► GRI - 102-21

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(75) 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 Proxy Form, which is circulated to shareholders 15 working days prior to the AGM.	<input checked="" type="checkbox"/>
C.2	COMMUNICATION WITH SHAREHOLDERS To implement effective communication with shareholders	
(76) C.2.1	A Channel to be Available to Reach all Shareholders of the Company for Timely Dissemination of Information The Bank posts on its website (www.sampath.lk) copies of Annual Reports, Interim Reports and all other material information relating to the Bank. These are posted on the website as soon as possible and practical after they have been released to the Colombo Stock Exchange. All public disclosures of the Bank (immediate or otherwise) promptly reach the shareholders through the Market Announcements made by the Company. The Bank aims 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 tasked with identifying and addressing the 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 shareholders and Sampath Bank has a proud history of well attended AGMs where shareholders take an active role in exercising their rights.	<input checked="" type="checkbox"/>
(77) C.2.2	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.	<input checked="" type="checkbox"/>
(78) C.2.3	Implementation of the Policy and Methodology for Communication with Shareholders The mechanism to Implement the said Policy on Communication 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.	<input checked="" type="checkbox"/>
(79) C.2.4 & C.2.6	Contact Person in Relation to Shareholder Matters The Company should disclose the contact person or such communication Shareholders have been duly notified that any communication/correspondence with the Bank should be through the Company Secretary, though they are at liberty even to communicate directly with any of the Board Members. The contact numbers of the Company Secretary are provided in the Annual Report on Inner Back Cover. Additionally, shareholders may, at any time, direct questions to and request for publicly available information from the Directors or management of the Bank. They may also provide their comments and suggestions to the Directors or Management through the Company Secretary.	<input checked="" type="checkbox"/>
(80) C.2.5	Process to Make all Directors Aware of Major Issues and Concerns of Shareholders The Company Secretary takes appropriate actions based on the concerns/requests received by the shareholders.	<input checked="" type="checkbox"/>
(81) C.2.7	Process of Responding to Shareholder Matters As stated in C.2.5.	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

ICASL Code Reference	Principle, Compliance and Implementation	Complied
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.	
(82) C.3.1 & C.3.2	Disclosure of Major Transactions The Bank's procedure on dealing with Related Party Transactions provides for 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 therefore. Further, 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, when the due notice to the public would be given through market announcements. During the year under review, the Bank did not engage in or commit any "Major Transaction" which materially affected the Bank's net asset base, warranting neither such disclosure nor such approval by the shareholders.	<input checked="" type="checkbox"/>
D	ACCOUNTABILITY AND AUDIT	
(83) D.1	FINANCIAL AND BUSINESS REPORTING (THE ANNUAL REPORT) The Bank's Annual Report aims to present a balanced and an understandable assessment of its financial position, performance, business model, governance structure, risk management, internal controls as well as the challenges, opportunities and future prospectus.	
	The Bank's position and prospects have been discussed in detail in the following sections of this Annual Report. <ul style="list-style-type: none"> ➤ Chairman's Message is given on pages 30 to 35. ➤ Managing Director's Review is given on pages 36 to 41. ➤ Management Discussion and Analysis are given on pages 52 to 105. 	<input checked="" type="checkbox"/>
(84) D.1.1	Board's Responsibility in Financial Reporting A true and fair, balanced and understandable Financial Statements prepared in accordance with the relevant accounting standards, laws and regulations are given on pages 208 to 343 in this Annual Report.	<input checked="" type="checkbox"/>
(85) D.1.2	Interim Reports, Price-Sensitive Public Reports, Regulatory Reports and Statutory Information Requirements Interim reports were published within 45 days of each quarter end which included information to enable shareholders to gain an understanding of the state of affairs of the Bank. The Bank adhered to these requirements even during the lockdown period without utilising the extensions granted by the Colombo Stock Exchange (CSE). The key market disclosures pertaining to the payment of cash dividends for the financial year 2019, the date of Annual General Meeting, changes in Directorships, appointment of the Chairman, Deputy Chairman and Senior Independent Director and dealing of shares by Directors were made on a timely manner as prescribed by the Listing Rules of the CSE and the directions and guidelines issued by the CSE, during the year under review. 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 were all filed in a timely manner in compliance with the relevant statutory requirements and these provided sufficient information for the user to obtain a balanced assessment of the Bank's operations.	<input checked="" type="checkbox"/>

▶ GRI - 102-25

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(86) 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 Group Chief Financial Officer's Responsibility Statement is given on page 200 of this Annual Report.	☑
(87) 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 185 to 196 contains the declarations as required by the Code.	☑
(88) 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 201 to 202 and 203 to 207 respectively.	☑
(89) D.1.6	Inclusion of a Management Discussion & Analysis	
	The Management Discussion and Analysis contained in pages 52 to 105 covers the information specified in the Code which include the following: <ul style="list-style-type: none"> ➤ 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 Company ➤ Financial performance ➤ Investment in Physical and Intellectual Capital ➤ Material developments in Human Resources, Industrial Relations and prospects for the future. 	☑
(90) 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.	☑
(91) D.1.8	Related Party Transactions	
	There is a Board-approved and formally documented process for identifying and dealing with Related Party Transactions, identifying related parties and such transactions and includes a mechanism to ensure that no favourable treatment is granted to said parties in order 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 in place. An effective and comprehensive system of Internal Control for identifying, recording and disclosing related party transactions too is in place. <p>In addition, a procedure has been issued explaining the procedure to be followed in granting accommodation to Directors or to close relations of Directors, or to concerns in which Directors may have substantial interest.</p> <p>Directors and KMPs are required to submit declarations declaring their transactions with the Bank and the Group as and when required.</p> <p>All Related Party Transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 46 to the Financial Statements on pages 298 to 301.</p>	☑

CORPORATE GOVERNANCE

GRI - 102-30

ICASL Code Reference	Principle, Compliance and Implementation	Complied
D.2	RISK MANAGEMENT AND INTERNAL CONTROL	
(92) D.2.1	Board's Responsibility to Monitor the Company's Risk Management and Internal Control System The Board of Directors is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Bank. In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank.	☑
(93) D.2.2	Confirmation by the Directors on Carrying out a Robust Assessment of the Principle Risks faced by the Bank The Board Integrated Risk Management Committee is responsible for assessing all risks including credit, market, liquidity, operational and strategic risks to the Bank on a regular basis through appropriate risk indicators and management information. The Board Integrated Risk Management Committee Report is given on pages 177 and 179.	☑
(94) D.2.3	Need for an Internal Audit Function The Bank has established an Internal Audit function headed by the Group Chief Internal Auditor who is independent and reports directly to the Board Audit Committee. The Board Audit Committee exercises oversight over the same. The Board Audit Committee reviews the Internal Audit function at regular intervals.	☑
(95) 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 has responsibility to the Board to ensure that the system of Internal Controls is sufficient and effective. A Separate Risk Committee is in place to monitor the overall risk of the Bank.	☑
(96) D.2.5	The Statement of Internal Control Directors' Statement on Internal Control over Financial Reporting is given on pages 197 and 198.	☑
D.3	AUDIT COMMITTEE (the Committee)	
(97) D.3	BOARD AUDIT COMMITTEE (the Committee) Arrangements for Selection and Application of Accounting Policies, Financial Reporting and Internal Control Principles The Bank has established its Board Audit Committee in keeping with practices of good governance since 1997. 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 also includes gaining assurance on control over financial processes, integrity of the Bank's financial reports, monitoring 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 170 to 172 in the Annual Report.	☑
(98) D.3.1	Composition of the Board Audit Committee The Board Audit Committee, as at 31.12.2020, comprised of four Non-Executive Directors of which majority were independent Directors. The Committee is chaired by an Independent Non-Executive Director who has current and relevant experience in financial reporting and control. Members are selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives. The Group Chief Internal Auditor attends the meeting regularly and the Managing Director, the Executive Director/Group Chief Financial Officer, consultant to the Board Audit Committee and the External Auditor also attend these meeting by invitation.	☑

CORPORATE GOVERNANCE

▶ GRI - 102-16,26

ICASL Code Reference	Principle, Compliance and Implementation	Complied
D.5	CODE OF BUSINESS CONDUCT AND ETHICS	
(105) D.5.1	Code of Business Conduct and Ethics for Directors and Staff Code of Conduct and Governance Requirements for Directors, Code of Conduct for Key Management Personnel and Code of Conduct for other employees are in place to ensure compliance with the provisions of the Code of Conduct and Ethics. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics/Standard of Conduct by any Director or KMP of the Bank.	<input checked="" type="checkbox"/>
(106) D.5.2	Ensure that Material and Price Sensitive Information are Promptly Identified and Reported A process is in place for the prompt disclosure of price sensitive and material information by the Company Secretary in terms of the relevant regulatory requirements. As per the Board-approved Policy on Communication, the responsibility of making market announcements of price sensitive information lies with the Company Secretary.	<input checked="" type="checkbox"/>
(107) D.5.3	Policy and Process for Monitoring and Disclosure of Share Purchase As per Section 7.8 (c) of the CSE Listing Rules, Directors engaged in financial reporting have been directed to inform and disclose to the Company Secretary, details of any purchases by them of shares of the Bank within 05 market days in the Colombo Stock Exchange. Further share transactions are being monitored by the Company Secretary on a timely manner. Dealings of shares by the Directors on 13th March 2020 were duly disclosed in compliance with Section 7.8 (c) of the CSE Listing Rules.	<input checked="" type="checkbox"/>
(108) D.5.4	Chairman's Affirmation in the Bank's Annual Report 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 Chairman's affirmation on Corporate Governance is given on page 119 of this Annual Report.	<input checked="" type="checkbox"/>
D.6	CORPORATE GOVERNANCE DISCLOSURES The Corporate Governance Report given on pages 119 to 169 provides information regarding Corporate Governance practices in the Bank which are in compliance with:	
(109) D.6.1	<ul style="list-style-type: none"> ➤ 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 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 	<input checked="" type="checkbox"/>
E	SECTION 2 - SHAREHOLDERS	
E	INSTITUTIONAL INVESTORS	
(110) E.1	SHAREHOLDER VOTING The 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 their candid preferences and are encouraged to express their views freely. The Bank has a history of active shareholder involvement and participation at general meetings.	<input checked="" type="checkbox"/>
(111) E.1.1	Regular Structured Dialogue with Shareholders The Bank prides itself of being the only 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. This Committee considers proposals submitted by shareholders and has implemented several benefits and privileges to shareholders. The Committee met 02 times during the year under review.	<input checked="" type="checkbox"/>

ICASL Code Reference	Principle, Compliance and Implementation	Complied
E.2	EVALUATION OF GOVERNANCE DISCLOSURES	
(112) E.2	Encourage Institutional Investors to give Due Weight to Relevant Governance Arrangements	
	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.	<input checked="" type="checkbox"/>
F	OTHER INVESTORS	
(113) F.1	INVESTING/DIVESTING DECISION	
F.1	Individual Shareholders are Encouraged to do their own Analysis or Seek Independent Advice	
	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 performance of the Bank.	<input checked="" type="checkbox"/>
	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. Apart from the above, Circulars to Shareholders issued from time to time too point out to the shareholders the importance of seeking independent advice prior to making any particular investment.	
F.2	SHAREHOLDER VOTING	
(114) F.2	Encourage Shareholders to Participate and Vote at the General Meetings	
	It is a tradition at the Bank to encourage individual shareholders to participate and vote at any General Meeting of the Bank. Additionally, they are encouraged to participate in the Bank's affairs through submitting proposals through Stakeholder Feedback Forms.	<input checked="" type="checkbox"/>
	The 34th AGM was live streamed from the Bank's Head Office to shareholders without any disruptions, via "Zoom" video communications app. The Bank also leveraged technology to allow 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, in order to ensure the shareholder interest.	
G	INTERNET OF THINGS AND CYBER SECURITY	
(115) 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.	
	All the 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.	<input checked="" type="checkbox"/>
	Access points into the organisation's environment must be assessed and formally approved. The use of non-authorised modems or any other remote access solutions are strictly prohibited unless written approval has been obtained.	
	Remote access is granted to users with a justifiable business requirement for remote access.	
(116) 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, is tasked with determining the Bank's sensitivity and risk appetite towards information security threats at any given time.	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

► GRI - 102-27,28,29,30,31,32

ICASL Code Reference	Principle, Compliance and Implementation	Complied
(117) G.3	Allocation of Adequate Time on the Board Meeting Agenda for Discussion on Cyber Risk Management	
	<p>The Board IT Committee has been formed to review and recommend the IT strategic plan, policies, expenditure and budgets and IT security requirements of the Bank.</p> <p>Based on the requirement, adequate time is allocated during the Board Meetings to discuss "Cyber Risk" in detail.</p> <p>The Information Security Committee (ISC), is a management level cross functional committee that has been formed and reports to the Board Integrated Risk Management Committee (BIRMC) on a quarterly basis, to discuss on both strategic and operational aspects of Information Security.</p>	☑
(118) G.4	Independent Periodic Review on the Effectiveness of the Cyber Security Risk Management and the Scope and the Frequency of the Review	
	<p>The Bank has obtained the certification of ISO 27001:2013 for the period from 2019 - 2022 with one annual internal audit and an annual surveillance audit conducted by an independent third-party.</p> <p>The Systems Audit Department is tasked with auditing the system changes prior to live deployment of applications and branch/department audits to ensure Information Security and Controls.</p> <p>The Bank conducts periodic Cyber Security Drills to build Information Security Awareness among the staff members.</p> <p>Bank wide Information Security Risk Assessment was conducted with the support of an independent third-party.</p>	☑
(119) G.5	Disclosure of the Process to Identify and Manage Cyber Security Risks	
	The required disclosure is made on pages 108 to 116 in this Annual Report.	☑
H	ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)	
H.1	ESG REPORTING	
(120) 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	
	<p>Environmental and Social Risk Management System (ESMS) is aimed at reducing the Bank's environmental footprint. The Corporate Sustainability Department is tasked with conducting environmental impact assessments to comply with ESMS in order to manage the environmental risks associated with the Bank's business. Further, with the motive of managing the environmental footprint, the Bank is of the view that it can be achieved only if the staff have adequate knowledge to understand the purpose, application and intended objectives. In this context all employees are encouraged to adopt the Environmental Pledge. Strategic Sustainability Framework is given on pages 44 to 46.</p> <p>The members of the Board, in Board Sub Committees, with the view of identifying and managing the social, economic, environmental topics and their impacts, call for comprehensive analysis reports over the respective fields from both external and internal resource persons to be in line with the adequate due diligence, as and when required.</p>	☑
(121) H.1.2	Environment Factors	
	Natural Capital report is given on pages 77 to 80.	☑
(122) H.1.3	Social Factors	
	Social and Relationship Capital report is given on pages 73 to 76.	☑
(123) H.1.4	Governance	
	Corporate Governance Report is given on pages 119 to 169.	☑
(124) H.1.5	Board's Role on ESG Factors	
	The Board reviews the ESG factors where necessary to enhance the ESG related areas.	☑

▶ GRI - 102-16,21,33

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	
	The Board has strengthened the safety and the soundness of the Bank in the following manner.	
(1)	3(1)(i)(a) Setting Strategic Objectives and Corporate Values	
	The Bank's strategic objectives and corporate values are determined by the Board and are given on page 16 of the Annual Report. These are communicated to all levels of staff through regular briefing sessions and reinforced by the Corporate Management Team.	☑
(2)	3(1)(i)(b) Overall Business Strategy including Risk Policy and Management	
	The Bank's strategy is set by the Board in consultation with the Corporate Management and the Revolving Strategic Plan for the period 2020-2022 was approved by the Board and was successfully implemented with regular reviews. The Revolving Strategic Plan for the period 2021-2023 too has been duly approved by the Board. In addition, Risk Management framework and mechanisms have also been approved by the Board in line with the Strategic Plan. Measurable goals for the Bank as a whole have been set and performance is measured in line with these goals on a monthly and quarterly basis.	☑
(3)	3(1)(i)(c) Risk Management	
	The Board has appointed a Board Integrated Risk Management Committee tasked with recommending the Bank's Risk Policies, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The following reports provide further insights in this regard.	☑
	<ul style="list-style-type: none"> ▶ Risk Management Report on pages 108 to 116. ▶ Board Integrated Risk Management Committee Report on pages 177 to 179. 	
	A mechanism/process to identify and mitigate the risks arising out of new strategies is in place at Board level.	
(4)	3(1)(i)(d) Communication with all Stakeholders	
	A Board-approved Communication Policy is in place as the basis for communicating with all stakeholders, including depositors, creditors, shareholders and borrowers.	☑
	The Board has approved and implemented the following communication channels:	
	<ul style="list-style-type: none"> ▶ Shareholders - The Board has appointed a Sub Committee on Shareholder Relations tasked with identifying and addressing the shareholders' concerns. Sampath Bank is the first listed entity in Sri Lanka to have initiated in forming such a Committee. Additionally, the AGM is also a key forum to contact shareholders and the Bank has a proud history of well attended AGMs where shareholders take an active role in exercising their rights. ▶ Customers - Customers include depositors, creditors and borrowers. A Board-approved Customer Complaints Handling Policy has been implemented. The Customer Complaint Handling Procedure is in place and the Customer Charter has been printed in all three languages and disseminated to all customer contact points across the Bank. This document outlines the Customer Complaints Handling Procedure and also provides relevant information on contact details of the Bank for this purpose and also of the Financial Ombudsman, a 24-hour trilingual customer hotline to support customer queries has been established and the reports of complaints are reviewed by the relevant Board Sub Committees. ▶ Staff - Staff members are given access to the management to voice their concerns through the Whistle Blowing Policy and the Grievance Handling Procedure. 	

CORPORATE GOVERNANCE

► GRI - 102-25

CBSL Section	Principle, Compliance and Implementation	Complied
(5)	3(1)(i)(e) Internal Control System	
	The Board is tasked with reviewing the adequacy and the integrity of the Bank's internal control systems and management information systems. Accordingly, the Board Audit Committee reviews Internal Audit reports submitted by the Internal Audit Department and monitors follow up action based on the assessment of Internal Control Over Financial Reporting (ICOFR). Directors concluded that the Bank's Internal Control Over Financial Reporting is effective.	☑
(6)	3(1)(i)(e) Management Information Systems	
	The Bank has established a valid process to review the adequacy, integrity and accuracy of all financial and non-financial information. This process is continuously being improved.	☑
(7)	3(1)(i)(f) Key Management Personnel	
	The Board has identified members of the Corporate Management, the Assistant Company Secretary and the Senior Manager Compliance as Key Management Personnel being "Officers Performing Executive Functions of Licensed Commercial Banks (LCB)" as required by Banking Act Determination No. 01 of 2019 which was effective from 1st January 2020, CBSL Guideline dated 2nd December 2015, subsequent amendments and the letter dated 17th June 2013 issued by the Controller of Exchange - CBSL respectively. All appointments of designated Key Management Personnel (KMPs) are recommended by the Board Nomination Committee and approved by the Board.	☑
(8)	3(1)(i)(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.	☑
(9)	3(1)(i)(h) Oversight of Affairs of the Bank by Key Management Personnel	
	KMPs make regular presentations to the Board on matters under their respective purviews and are regularly called in by the Board to explain matters relating to their areas when need arises.	☑
(10)	3(1)(i)(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 and Election of Directors and the Policy on Managing Conflicts of Interest are reviewed by the Board on a periodic basis. Implementation of changes required are discussed and determined by the Board following the submission of annual Self-Evaluations.	☑
(11)	3(1)(i)(j) Succession Plan for Key Management Personnel	
	The Bank has an appropriate succession plan for Key Management Personnel aligned to the Bank's strategic objectives.	☑
(12)	3(1)(i)(k) Regular Meetings with Key Management Personnel	
	KMPs are called on need basis for discussions at the meetings of the Board and its Sub Committees to review policy and other matters relating to their areas. Progress towards corporate objectives is a regular agenda item at the Board Meetings and the KMPs are regularly involved in Board level discussions on the same.	☑
(13)	3(1)(i)(l) Regulatory Environment and Maintaining an Effective Relationship with Regulator	
	Directors are briefed on developments in the regulatory environment at Board Meetings to ensure that their knowledge is updated regularly to facilitate the effective discharge of their responsibilities.	☑
	The Bank has always maintained an effective relationship with the regulators. Further, the MD or his nominee attended the CEO/MD forums on Governance organised by CBSL during the year 2020.	☑

CBSL Section	Principle, Compliance and Implementation	Complied
(14)	3(1)(i)(m)	Hiring External Auditors
	The Board Audit Committee 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 AGM. Oversight of the External Auditors is carried out by the Board Audit Committee (BAC) and the Board is briefed of any concerns in this regard if a necessity arises. To ensure greater independence of the Board Audit Committee the independent consultant appointed to the BAC, continues to provide advice and services to this Committee.	☑
(15)	3(1)(ii)	Appointment of Chairman and CEO/MD and their Functions and Responsibilities
	The Board has appointed the Chairman and the Chief Executive Officer/MD and has approved their respective functions and responsibilities, in order to maintain the balance of power between the two roles.	☑
(16)	3(1)(iii)	Board Meetings
	Regular Board Meetings are held and special meetings are scheduled if the need arises. The Board met 16 times during 2020. The Bank has minimised obtaining approval via circular resolutions and it is done only on an exceptional basis.	☑
(17)	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 relate to the promotion of business and the management of risk of the Bank.	☑
(18)	3(1)(v)	Notice of Meetings
	Notice of Meetings and the agenda for the Board Meetings are circulated among the Directors generally seven days prior to the meeting, giving Directors adequate time to attend and submit any urgent proposals.	☑
	Additionally, Notices, Agenda and all related Board papers are uploaded through a secure link onto iPads for Directors to access.	☑
(19)	3(1)(vi)	Directors' Attendance
	The Directors are informed of their attendance requirements in accordance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks. Details of the Directors' attendance is set out on page 121.	☑
	All Directors have attended at least two-thirds of the total number of Board meetings during the year under review.	☑
(20)	3(1)(vii)	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's primary responsibilities are to provide the secretarial services to the Board and Shareholders and carry out other functions specified in the statutes and other regulations.	☑
(21)	3(1)(viii)	Directors' Access to Advice and Services of Company Secretary
	All members of the Board have the opportunity to obtain the 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.	

CORPORATE GOVERNANCE

GRI - 102-25

CBSL Section	Principle, Compliance and Implementation	Complied
(22) 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.	☑
(23) 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: <ul style="list-style-type: none"> ➤ 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 regarding the risks to which the Bank is exposed and an overview of the risk management measures adopted. ➤ The decisions of Board/Board Sub Committees and Board resolutions. 	☑
(24) 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" and the Board resorts to such advice when deemed necessary.	☑
(25) 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 Articles of Association of the Bank, the Bank's Policy on Managing Conflicts of Interest and the Banking Act Direction No. 11 of 2007. The Bank maintains registers of Directors' and KMPs' Interests which are regularly updated in line with the regulatory requirements. 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.	☑
(26) 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.	☑
(27) 3(1)(xiv)	Inform Central Bank if there are Solvency Issues Prior to Taking any Decision or Action If such a situation arises, the Bank will duly inform the Director of Bank Supervision of the CBSL. However, such a situation did not arise during the year 2020. As per the Bank's Code of Conduct and Governance Requirements for Directors, the Directors are compelled to inform the Director of Bank Supervision of the CBSL and make necessary public and other disclosures upon the occurrence of such an event.	☑
(28) 3(1)(xv)	Compliance with Capital Adequacy The Board monitors capital adequacy and other prudential measures vis-à-vis regulatory requirement on a quarterly basis. The Bank has defined risk appetite and industry benchmarks. As at 31st December 2020 the Bank was in compliance with the minimum capital requirements.	☑
(29) 3(1)(xvi)	Publish Corporate Governance Report in Annual Report The Board publishes the Corporate Governance Report in the Bank's Annual Report. This report is given on pages 119 to 169.	☑

CBSL Section	Principle, Compliance and Implementation	Complied
(30)	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.	☑
	3(2) Board Composition	
(31)	3(2)(i) Number of Directors	
	As per the CBSL Direction on Corporate Governance for Licensed Commercial Banks, the number of Directors should not be less than 7 or more than 13. As at 31.12.2020, the Bank's Board comprised of 12 Directors, complying with this provision.	☑
(32)	3(2)(ii) Period of Service of a Director	
	As per the Banking Act Direction No. 11 of 2007 on Corporate Governance, the period of service of a Director excluding the CEO is limited to 9 years. Accordingly, Prof Malik Ranasinghe and Mrs Dhara Wijayatilake, retired w.e.f. 30.08.2020 and Ms Annika Senanayake and Mr Ranil Pathirana, retired w.e.f. 01.01.2021, having completed the tenure of service of nine years on the Board. As at 31.12.2020, there were no other Directors, whose tenure of service has exceeded nine years on the Board.	☑
(33)	3(2)(iii) Board Balance	
	As at 31.12.2020, there were Ten (10) Non-Executive Directors and Two (02) Executive Directors, being well within the requirement of the prescribed ratio.	☑
(34)	3(2)(iv) Independent Non-Executive Directors	
	As at 31.12.2020, the Board comprised of Seven (07) Independent Non-Executive Directors which complies with the prescribed requirement.	☑
(35)	3(2)(v) Alternate Directors	
	Alternate Directors are appointed based on the Board-approved policy. However, there were no alternate Directors appointed during the year 2020.	☑
(36)	3(2)(vi) Criteria for Non-Executive Directors	
	Non-Executive Directors are persons with credible track record who have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources. The profiles of the Non-Executive Directors are detailed on pages 20 to 25.	☑
	The Board has approved a procedure to appoint Directors which includes the appointment of Independent Directors.	☑
(37)	3(2)(vii) Quorum for the Board Meeting is more than 50% of Directors and more than half the Quorum to Comprise Non-Executive Directors	
	This requirement is strictly observed and the attendance of the Board members at the meetings for the year 2020 evidencing compliance with the requirement.	☑
(38)	3(2)(viii) Identify Independent Non-Executive Directors in Communications and Disclose the Categories of Directors in Annual Report	
	The Independent Non-Executive Directors are expressly identified as such 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 121 of the Corporate Governance Report.	☑

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
(39) 3(2)(ix)	Appointments to the Board	
	The Board has established a Board Nomination Committee. Accordingly, new Directors including the Executive Directors are appointed by the Board upon consideration of recommendations by the Board Nomination Committee, following a formal, considered and transparent procedure.	☑
(40) 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 Vajira Kulatilaka, Mr Harsha Amarasekera, Mrs Keshini Jayawardena and Mr Ajantha de Vas Gunasekara who were appointed to the Board w.e.f. 25.06.2020, 18.08.2020, 01.10.2020 and 29.10.2020 respectively will stand for election by shareholders at the AGM to be held on 30.03.2021.	
(41) 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 CSE requirements and the requirements of 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, Mrs Saumya Amarasekera did not offer herself to be re-elected as a Director of Bank at the 34th Annual General Meeting, hence she ceased to be a Director w.e.f. 02.06.2020.	
(42) 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	
(43) 3(3)(i)	Age of Director should not Exceed 70 years	
	Mr Sanjiva Senanayake, having reached his seventieth birthday, retired w.e.f. 12.04.2020. As at 31.12.2020, there were no other Directors who reached seventy years of age during the year under review.	☑
(44) 3(3)(ii)	Directors should not hold Directorships of more than 20 Companies	
	None of the Directors held office as a director in more than 20 companies during the year 2020.	☑
(45) 3(3)(iii)	Director or a CEO shall not be Appointed as a Director or a CEO of another Licensed Bank Operating in Sri Lanka Prior to Expiry of 6 Months Cooling-off Period from the Date of Cessation of his/her Office at a Licensed Bank.	
	None of the Directors were appointed to the Board during the period under review, as detailed in the provisions of the cooling-off period of the direction.	☑
3(4)	Management Functions Delegated by the Board	
(46) 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.	☑

CBSL Section	Principle, Compliance and Implementation	Complied
(47) 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 Memorandum and Articles of Association. The management, who carries out duties on behalf of the Board under the authorities delegated to them, report to the Board regularly on such matters attended by them.	☑
(48) 3(4)(iii)	Review Delegation Arrangements Periodically to Ensure Relevance to Operations of the Bank The Board reviews and approves the delegation arrangements 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 Chief Executive Officer/Managing Director	
(49) 3(5)(i)	Separation of Roles The roles of the Chairman and CEO/MD are separate and their respective duties are documented, and approved by the Board.	☑
(50) 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 Deshal de Mel as Senior Independent Director, which has been disclosed in the Annual Report, and a Board-approved Terms of Reference is in place to ensure the independent element in decision making of the Senior Independent Director.	☑
(51) 3(5)(iii)	Disclosure of the Identity of the Chairman and CEO/MD and any Relationships, (if any) among the Board Members The identity of the Chairman and CEO/MD are disclosed in the Annual Report on pages 20 to 25. There is no material financial, business or family relationships between the Chairman, CEO/MD and other members of the Board as disclosed on pages 20 to 25 and in Note 46 to the Financial Statements given on pages 298 to 301 as per annual declarations and the register of Directors' Interests which is updated regularly.	☑ ☑
(52) 3(5)(iv)	Chairman to: (a) Provide Leadership to the Board; (b) Ensure that the Board Works Effectively and Discharges its Responsibilities; (c) Ensure that all Key and Appropriate Issues are Discussed by the Board in a Timely Manner The Chairman leads the Board ensuring that it works effectively, and discharges his responsibility. All key and appropriate issues are discussed by the Board in a timely manner. These are assessed annually by Board, through the Performance Evaluation of the Board of Directors.	☑
(53) 3(5)(v)	Chairman's Responsibility for Agenda The Company Secretary draws up the agenda for the meetings in consultation with the Chairman.	☑
(54) 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 the matters arising at Board meetings. The following procedures are in place to ensure this: ➤ 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.	☑

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
(55) 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.	☑
(56) 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 ensure constructive relations between Executive and Non-Executive Directors.	☑
	As at 31.12.2020, 10 out of the 12 members of the Board were Non-Executive Directors, creating a conducive environment for active participation by the Non-Executive Directors. All Non-Executive Directors participate in Sub Committees of the Board, ensuring further opportunity for active participation. The Bank has also appointed a Senior Independent Director which further supports the participation and strengthens views of the Non-Executive Directors. The Executive and Non-Executive Directors actively participate at Board Meetings.	
(57) 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.	☑
(58) 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 Bank historically has active shareholder participation at its General Meetings. A Board Sub Committee has been appointed to ensure that there is effective communication with shareholders.	
(59) 3(5)(xi)	CEO/MD Functions as the Apex Executive in Charge of the Day-to-Day Operations	
	The responsibility of day-to-day operations of the Bank have been delegated to the CEO/MD.	☑
3(6)	Board-Appointed Committees (the Committee)	
(60) 3(6)(i)	Establishing Board Sub Committees, their Functions and Reporting	
	12 Board Sub Committees have been established by the Board with oversight by the respective Chairpersons and written Terms of Reference for each. 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 Sub Committees are included in the Annual Report:	☑
	<ul style="list-style-type: none"> ➤ Board Audit Committee on pages 170 to 172 ➤ Board Human Resources & Remuneration Committee on pages 173 to 174 ➤ Board Nomination Committee on pages 175 to 176 ➤ Board Integrated Risk Management Committee on pages 177 to 179 ➤ Board Related Party Transactions Review Committee on pages 180 to 181 	
	The Chairpersons of the Sub Committees are present at the AGM to clarify any matters that may be referred to them by the Chairman.	

CBSL Section	Principle, Compliance and Implementation	Complied
	3(6)(ii) Board Audit Committee (BAC)	
(61)	3(6)(ii)(a) Chairman to be an Independent Non-Executive Director with Qualifications and Experience in Accountancy and/or Audit	
	The Chairman of the Board Audit Committee 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.	☑
(62)	3(6)(ii)(b) Committee to Comprise Solely of Non-Executive Directors	
	All the members of the Board Audit Committee are Non-Executive Directors.	☑
(63)	3(6)(ii)(c) Functions of the Board Audit Committee	
	In accordance with the Terms of Reference, the Board Audit Committee has made the following recommendations on matters in connection with: <ul style="list-style-type: none"> ➤ The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; ➤ The implementation of the Central Bank guidelines issued to Auditors from time to time; ➤ The application of the relevant accounting standards; ➤ The service period, audit fee and any resignation or dismissal of the Auditors. <p>The Board Audit Committee 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.</p>	☑
(64)	3(6)(ii)(d) Review and Monitor External Auditors' Independence and Objectivity and the Effectiveness of the Audit Processes	
	The Board Audit Committee obtains representations from the External Auditors on their independence to ensure that the audit is carried out in accordance with the applicable standards and best practices.	☑
(65)	3(6)(ii)(e) Provision of Non-Audit Services by External Auditors	
	A Board-approved policy on "Engagement of External Auditors for Non-Audit Services" is in place. When such services are intended to be obtained from External Auditors, prior approval is sought from the Board Audit Committee in accordance with regulations.	☑
(66)	3(6)(ii)(f) Determines Scope of Audit with the External Auditors	
	The Board Audit Committee discussed and finalised with the External Auditors, the nature and scope of the audit to ensure that it includes: <ul style="list-style-type: none"> ➤ 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; <p>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.</p>	☑

CORPORATE GOVERNANCE

CBSL Section	Principle, Compliance and Implementation	Complied
(67) 3(6)(ii)(g)	<p>Review Financial Information of the Bank</p> <p>The Board Audit Committee 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. The review focuses on the following:</p> <ul style="list-style-type: none"> ➤ 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 <p>The Board Audit Committee makes recommendations to the Board on the above on a quarterly basis.</p>	☑
(68) 3(6)(ii)(h)	<p>Discussions with External Auditor without the Executive Management on Interim and Final Audits</p> <p>The Board Audit Committee discusses issues, problems and reservations (if any) arising from the interim and final audits with the External Auditors. This Committee met the External Auditors in the absence of executive management of the Bank on 02 occasions during the year 2020.</p>	☑
(69) 3(6)(ii)(i)	<p>Review of Management Letter and Bank's Response</p> <p>The Board Audit Committee has reviewed the External Auditors' Management Letter and the Management's responses thereto.</p>	☑
(70) 3(6)(ii)(j)	<p>Review of Internal Audit Function</p> <p>The Board Audit Committee has oversight of the Internal Audit function and has the following responsibilities with regard to the same:</p> <ul style="list-style-type: none"> ➤ Review of the adequacy of the scope, functions and resources of the Internal Audit Department, and ensuring that the Department has the necessary authority to carry out its work; ➤ Reviewing the Internal Audit programme and results of the audits ensuring that appropriate actions are taken on the recommendations of the Internal Audit Department; ➤ Reviewing appraisals of the performance of the Head and senior staff members of the Internal Audit Department; ➤ Recommending any appointment or termination of the Head and senior staff members of the Internal Audit Department; ➤ Ensuring that the Board Audit Committee is apprised of resignations of senior staff members of the Internal Audit Department including the Group Chief Internal Auditor, and providing an opportunity to the resigning senior staff members to submit reasons for resigning; ➤ Ensuring that the Internal Audit function is independent of other activities it audits and that it is performed with impartiality, proficiency and due professional care. 	☑
(71) 3(6)(ii)(k)	<p>Internal Investigations</p> <p>The Board Audit Committee has reviewed the major findings of internal investigations during the year and management's responses thereto. It has also ensured that the recommendations of such investigations have been implemented.</p>	☑

CBSL Section	Principle, Compliance and Implementation	Complied
(72)	<p>3(6)(ii)(l) Attendees at Meetings of the Board Audit Committee</p> <p>The Group Chief Internal Auditor attends Board Audit Committee meetings regularly. The Managing Director, the Executive Director/Group Chief Financial Officer, consultant to the Board Audit Committee and the External Auditor also attend these meetings by invitation.</p> <p>Other Board members may also attend meetings upon the invitation of the Board Audit Committee. The Board Audit Committee met the External Auditors without the Executive Management being present in terms of the Corporate Governance Code.</p>	☑
(73)	<p>3(6)(ii)(m) Explicit Authority, Resources and Access to Information</p> <p>The Board Audit Committee has:</p> <ul style="list-style-type: none"> ➤ Explicit authority to investigate into any matter within its terms of reference; ➤ the resources which it needs to do so; ➤ full access to information; and ➤ authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	☑
(74)	<p>3(6)(ii)(n) Regular Meetings</p> <p>The Board Audit Committee has regular meetings in compliance with its Terms of Reference and schedules additional meetings when required. Accordingly, the Board Audit Committee met 15 times during the year under review. This includes the meetings of the Board Audit Committee 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 Board Audit Committee deliberations are recorded in the Minutes of the meetings maintained by the Company Secretary or his nominee.</p>	☑
(75)	<p>3(6)(ii)(o) Disclosures</p> <p>The Report of the Board Audit Committee is given on pages 170 to 172. The report includes the following:</p> <ul style="list-style-type: none"> ➤ Explicit of the activities of the Board Audit Committee ➤ The number of Board Audit Committee meetings held in the year <p>Details of attendance of each individual Director at such meetings is given on page 121.</p>	☑
(76)	<p>3(6)(ii)(p) Maintain Minutes of Meetings</p> <p>The Company Secretary shall be the Secretary to the Committee and in the absence of the Company Secretary, his nominee or the Group Chief Internal Auditor shall act as the Secretary to the Committee and maintain minutes of the Board Audit Committee meetings.</p>	☑
(77)	<p>3(6)(ii)(q) Whistle Blowing Policy and Relationship with External Auditor</p> <p>The Bank has a Board-approved Whistle Blowing Policy where-under an employee of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Company Secretary and the Group 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 Board Audit Committee who addresses the issue in an appropriate manner.</p> <p>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.</p>	☑

CORPORATE GOVERNANCE

► GRI - 102-35,36

CBSL Section	Principle, Compliance and Implementation	Complied
3(6)(iii)	Board Human Resources and Remuneration Committee (BHR & RC)	
(78)	3(6)(iii)(a) Policy to Determine the Remuneration of Directors A Board-approved Policy to determine the Directors' remuneration is in place.	☑
(79)	3(6)(iii)(a) Policy to Determine the Remuneration for CEO/MD and KMPs A Board-approved Policy on Reward Management for KMPs is in place. The term "Reward Management" includes salaries and other staff benefits offered by the Bank and the CEO is considered a KMP.	☑
(80)	3(6)(iii)(b) Goals and Targets for the Directors, MD (the CEO) and KMPs Goals and targets of the CEO/MD and KMPs for the year 2020 were documented and approved by the Committee under the Objective Settings for year under review. The Board approved Terms of Reference of each Board Sub Committee elaborate the collective goals and targets of the Directors whereas the Duties and responsibilities of Directors are included in the Bank's Code of Conduct and the Governance Requirements for Directors.	☑
(81)	3(6)(iii)(c) Evaluation of the Performance of the CEO/MD and KMPs against the Set Targets and Goals and Determine the Basis for Revising Remuneration Performance evaluations of the CEO/MD and KMPs for the year ended 31st December 2020 will be reviewed by the Committee during the year 2021. The performance evaluations of the CEO/MD and KMPs for the year ended 2019 were carried out during the year 2020.	☑ ☑
(82)	3(6)(iii)(d) MD shall be Present at Meetings, except when Matters Relating to the MD are being Discussed MD attends BHR & RC meetings by invitation. However, he was not present at meetings when matters relating to him were discussed during the year.	☑
3(6)(iv)	Board Nomination Committee (BNC)	
(83)	3(6)(iv)(a) Implement a Procedure to Appoint Directors The BNC has developed and implemented a Board-approved procedure to appoint new Directors.	☑
(84)	3(6)(iv)(a) Implement a Procedure to Appoint CEO and Key Management Personnel A Board-approved policy to select, nominate and appoint CEO/MD and KMPs is in place, and is being followed.	☑
(85)	3(6)(iv)(b) Recommend the 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.	☑
(86)	3(6)(iv)(c) Eligibility Criteria for Appointments to Key Managerial Positions Including the CEO The BNC sets the eligibility criteria to be considered, including qualifications, experience and key attributes, for the appointment or promotion to key managerial positions as well as the position of CEO/MD. The BNC considers the applicable statutes and guidelines in setting the relevant criteria.	☑
(87)	3(6)(iv)(d) Fit and Proper Criteria for Directors, CEO and KMPs The Bank obtains declarations and affidavits from Directors, CEO/MD and KMPs, as and when required, and these are submitted to CBSL to determine if 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.	☑

▶ GRI - 102-30

CBSL Section	Principle, Compliance and Implementation	Complied
(88)	<p>3(6)(iv)(e) Succession Plan for Retiring Directors, CEO/MD and KMPs</p> <p>Board-approved policy covering Succession Planning for retiring Directors and CEO/MD is in place. In addition, Succession Plan for the KMPs is in place in line with the requirements.</p>	☑
(89)	<p>3(6)(iv)(f) Committee Chairperson and Other Members</p> <p>The BNC is chaired by an Independent Non-Executive Director. As at 31.12.2020, the Committee comprised of 04 members out of which 02 members were Independent, Non-Executive Directors. The MD attends meetings by invitation where necessary.</p>	☑
	3(6)(v) Board Integrated Risk Management Committee (BIRMC)	
(90)	<p>3(6)(v)(a) Composition of BIRMC</p> <p>As at 31.12.2020, BIRMC comprised of 03 Non-Executive Directors, the Managing Director, Group Chief Risk Officer and Group Chief Compliance Officer. The BIRMC works closely with KMPs within the framework of authority and responsibility assigned to the BIRMC.</p>	☑
(91)	<p>3(6)(v)(b) Risk Assessment of the Bank, Subsidiary Companies and Associate Companies</p> <p>All major risks such as Credit Risk, Market Risk, Liquidity Risk, Compliance Risk and Operational Risk are assessed by the Risk Management Unit and the reports are submitted to the BIRMC for review and action if any, through the Group Chief Risk Officer.</p> <p>Monthly risk assessments covering all major risks of subsidiary companies are submitted to the BIRMC by the Risk Management Unit to facilitate monthly risk reviews.</p> <p>The Board has approved on the recommendations of the BIRMC, the policies on Credit Risk Management, Market Risk Management and Operational Risk Management which provide a framework for management and assessment of risks. Accordingly, quarterly information on pre-established risk indicators are reviewed by the BIRMC.</p> <p>The BIRMC has a process to assess and evaluate all risks of the Bank and the findings and issues are submitted to the Board's review and action, if any. BIRMC evaluates the risk management of Subsidiary companies both at the Bank level and Group level.</p>	☑
(92)	<p>3(6)(v)(c) Review the Adequacy and Effectiveness of Management Level Committees</p> <p>BIRMC reviews the adequacy and the effectiveness of all management level committees including the Credit Policy Risk and Portfolio Review Committee and the ALCO to address specific risks and to manage those risks within the laid down limits specified by the BIRMC as required by the Direction.</p>	☑
(93)	<p>3(6)(v)(d) Corrective Action to Mitigate Specific Risks Exceeding Prudential Levels</p> <p>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 Key Risk Indicators of the Bank are approved by the BIRMC and the Board on a regular basis.</p>	☑
(94)	<p>3(6)(v)(e) Frequency of Meetings</p> <p>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 09 times during the year.</p>	☑
(95)	<p>3(6)(v)(f) Officers Responsible for Failure to Identify Specific Risks or Implement Corrective Action</p> <p>BIRMC refers such instances, if any, to the Human Resource department in order to take prompt corrective actions as directed by the Director of Bank Supervision in respect of officers identified to be responsible for failure to identify specific risks.</p>	☑

CORPORATE GOVERNANCE

► GRI - 102-25

CBSL Section	Principle, Compliance and Implementation	Complied
(96) 3(6)(v)(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 Department.	☑
(97) 3(6)(v)(h)	Compliance Function	
	<p>The 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 Group Chief Compliance Officer who functionally reports to the Board Integrated Risk Management Committee (BIRMC) and is responsible for providing, summary of Non Complied Incidents with regard to Statutory Payments and Mandatory Reporting Requirements, which includes;</p> <ul style="list-style-type: none"> ➤ Monthly compliance report ➤ Quarterly Report on Compliance Risk Assessment based on Key Performance Indicators (KPI) ➤ Related Party Transactions Review Report. <p>In addition to the above, following Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) reports are submitted to the Board.</p> <ul style="list-style-type: none"> ➤ Annual report on Overall Money Laundering and Terrorist Financing risk assessment of the Bank ➤ Report on exposure of Politically Exposed Persons (PEPs) ➤ Quarterly Report on Money Laundering and Terrorist Financing Risk Assessment 	☑
3(7)	Related Party Transactions	
(98) 3(7)(i)	Categories of Related Parties and Avoidance of Conflict of Interest	
	<p>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.</p> <p>Further, Directors and the KMPs are individually requested to declare their transactions with the Bank on a quarterly and annual basis. The avoidance of Conflict of Interest is further supported by the Board-approved policy on Managing Conflicts of Interest.</p>	☑
(99) 3(7)(ii)	Related Party Transactions Covered by Direction	
	<p>Related Party Transactions covered for the purpose of the above process with Directors and Key Management Personnel include:</p> <ul style="list-style-type: none"> ➤ The grant of any type 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. ➤ The creation of any liabilities of the Bank in the form of deposits, borrowings and investments. ➤ The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank. ➤ The creation or maintenance of reporting lines and information flows between the Bank and any Related Parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such Related Parties. 	☑

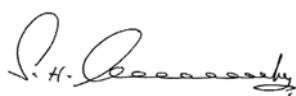
CBSL Section	Principle, Compliance and Implementation	Complied
(100) 3(7)(iii)	Monitoring of Related Party Transactions Defined as More Favourable Treatment	
	The Bank has implemented a proactive system to ensure that no favourable treatment is offered to Related Parties in line with the requirement.	☑
(101) 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.	☑
(102) 3(7)(v)	Accommodation Granted to Persons, or Concerns of Persons, or Close Relations of Persons, who Subsequently are Appointed as Directors of the Bank	
	A procedure on monitoring grant of such accommodation to Directors and their related parties is in place. The said operational procedure sets out the different situations that may arise when granting accommodation to Directors or to their close relatives or concerns in which the Directors may have substantial Interest and the steps to be taken when an individual already have been granted accommodation subsequently becomes a Director.	☑
	The Company Secretary obtains Related Party Disclosures from all Directors as and when required. The operational instructions issued and the Procedure on Dealing with Related Party Transactions too require any team member engaged in relevant areas of business to act in compliance with the regulatory framework set out in the said Procedure and Statutes.	☑
	Employees of the Bank are aware of the requirement to obtain necessary security as defined by the Monetary Board in the relevant circumstances.	☑
	A process to monitor compliance with this regulation has been established.	☑
(103) 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 scheme of staff benefits in terms of the operating instructions issued by the Bank from time to time 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.	☑
(104) 3(7)(vii)	Remission of Accommodation Granted to Directors Subject to Monetary Board Approval	
	The situation has not arisen in the Bank to date and operating instructions as stated above have been issued to prevent non-compliance with this requirement.	☑
3(8)	Disclosures	
(105) 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.	☑
3(8)(ii)	Disclosures in Annual Report	
(106) 3(8)(ii)(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 following:	☑
	➤ Annual Report of the Board of Directors on the Affairs of the Company given on pages 185 to 196.	

CORPORATE GOVERNANCE

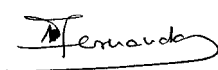
► GRI - 102-25,35

CBSL Section	Principle, Compliance and Implementation	Complied																								
(107) 3(8)(ii)(b)	<p>Report by the Board on the Bank's Internal Control Mechanism</p> <p>The Annual Report includes the following reports where the Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements:</p> <p>➤ Directors' Statement on Internal Control over Financial Reporting given on pages 197 to 198.</p>	☑																								
(108) 3(8)(ii)(c)	<p>External Auditor's Certification on Effectiveness of the Internal Control Mechanism Referred in 3(8)(ii)(b)</p> <p>The Board has obtained an assurance report issued by the Auditors under 'Sri Lanka Standard on Assurance Engagements SLSAE 3050' on the effectiveness of Internal Controls Over Financial Reporting which is published on page 199.</p>	☑																								
(109) 3(8)(ii)(d)	<p>Details of Directors</p> <p>Details of Directors are given on pages 20 to 25.</p> <p>Directors' interests in contracts with the Company are given below; (Including Executive Directors)</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Amount Rs 000</th> </tr> </thead> <tbody> <tr> <td>Loans</td> <td>31,226</td> </tr> <tr> <td>Deposits</td> <td>141,854</td> </tr> <tr> <td>Credit cards</td> <td>4,048</td> </tr> <tr> <td>Debentures</td> <td>22,000</td> </tr> <tr> <td>Interest & other income</td> <td>3,245</td> </tr> <tr> <td>Interest expense</td> <td>12,729</td> </tr> <tr> <td>Share based payments</td> <td></td> </tr> <tr> <td>Cash dividend</td> <td>7,821</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Aggregate value of remuneration/fee paid by the Bank</td> <td>155,199</td> </tr> <tr> <td>Post employment benefits paid</td> <td>5,745</td> </tr> </tbody> </table>	Category	Amount Rs 000	Loans	31,226	Deposits	141,854	Credit cards	4,048	Debentures	22,000	Interest & other income	3,245	Interest expense	12,729	Share based payments		Cash dividend	7,821			Aggregate value of remuneration/fee paid by the Bank	155,199	Post employment benefits paid	5,745	☑
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Aggregate value of remuneration/fee paid by the Bank	155,199																									
Post employment benefits paid	5,745																									
(110) 3(8)(ii)(e)	<p>Net Accommodation Granted to Each Category of Related Parties and as a Percentage of the Bank's Regulatory Capital</p> <p>Related Party Transactions are given in Note 46 to the Financial Statements on pages 298 to 301</p> <p>Net accommodation granted to Related Parties are given below;</p> <table border="1"> <thead> <tr> <th>Category of related party transaction</th> <th>As a % of regulatory capital of the Bank</th> <th>Amount Rs 000</th> </tr> </thead> <tbody> <tr> <td>Directors and close family members</td> <td>0.03</td> <td>39,147</td> </tr> <tr> <td>KMP & close family members</td> <td>0.15</td> <td>180,784</td> </tr> <tr> <td>Subsidiaries</td> <td>7.96</td> <td>9,325,945</td> </tr> <tr> <td>Shareholders owning material interest in the Bank</td> <td>-</td> <td>-</td> </tr> <tr> <td>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</td> <td>11.58</td> <td>13,577,414</td> </tr> </tbody> </table>	Category of related party transaction	As a % of regulatory capital of the Bank	Amount Rs 000	Directors and close family members	0.03	39,147	KMP & close family members	0.15	180,784	Subsidiaries	7.96	9,325,945	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	11.58	13,577,414	☑						
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CBSL Section	Principle, Compliance and Implementation	Complied																		
(111) 3(8)(ii)(f)	Aggregate Values of Remuneration Paid to, and Transactions with Key Management Personnel																			
	<table border="1"> <thead> <tr> <th>Nature of transaction</th> <th>Amount Rs 000</th> </tr> </thead> <tbody> <tr> <td>Short-term employment benefits</td> <td>438,641</td> </tr> <tr> <td>Post-employment benefits</td> <td>27,891</td> </tr> <tr> <td>Loans & advances including credit cards</td> <td>182,397</td> </tr> <tr> <td>Deposit & investments</td> <td>268,077</td> </tr> <tr> <td>Interest income</td> <td>12,699</td> </tr> <tr> <td>Interest expense</td> <td>20,721</td> </tr> <tr> <td>Share based payments</td> <td></td> </tr> <tr> <td>Cash dividend paid</td> <td>5,787</td> </tr> </tbody> </table> <p>The remuneration paid to, and transactions with Executive Directors are included in 3(8)(ii)(d) above.</p>	Nature of transaction	Amount Rs 000	Short-term employment benefits	438,641	Post-employment benefits	27,891	Loans & advances including credit cards	182,397	Deposit & investments	268,077	Interest income	12,699	Interest expense	20,721	Share based payments		Cash dividend paid	5,787	☑
Nature of transaction	Amount Rs 000																			
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Interest income	12,699																			
Interest expense	20,721																			
Share based payments																				
Cash dividend paid	5,787																			
(112) 3(8)(ii)(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.	☑																		
(113) 3(8)(ii)(h)	Report Confirming Compliance with Prudential Requirements, Regulations, Laws and Internal Controls																			
	The Statement of Directors' Responsibility for Financial Reporting given on pages 201 and 202 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls. There were no instances of material non-compliance to report on corrective action taken during the year.	☑																		
(114) 3(8)(ii)(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 required to be disclosed by the Bank during the year.	☑																		



HARSHA AMARASEKERA
Chairman



NANDA FERNANDO
Managing Director

Colombo, Sri Lanka
15th February 2021

CORPORATE GOVERNANCE

► GRI - 102-34

Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Listing Rule Reference	Disclosure Requirement	Section/Reference
7.6 (i)	Names of persons who during the financial year were Directors of the Bank.	List of Directors who served during the year under review is given on page 121 of the Corporate Governance Framework and profiles of the present Directors of the Bank are given on pages 20 to 25.
7.6 (ii)	Principal activities of the Bank and its Subsidiaries during the year and any changes therein.	The Annual Report of the Board of Directors on the Affairs of the Company on pages 185 to 196 contains the Principle Business Activities of the Bank and its Subsidiaries.
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 on pages 96 to 105 contains the List of Top 20 Shareholders of the Bank as at 31st December 2020.
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.	Details of the Public Shareholding and the Float Adjusted Market Capitalisation is included in the Investor Information on page 100.
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Bank at the beginning and end of each financial year.	The Annual Report of the Board of Directors on the Affairs of the Company on pages 185 to 196 contains the Director's holding and Chief Executive Officer's (CEO/MD) holding in shares of the Bank.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Bank.	The Risk Management Report on pages 108 to 116 contains the information pertaining to material foreseeable risk factors of the Bank.
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Bank.	During the year under review, there were no material issues relating to employees and industrial relations pertaining to the Bank. However, the Board-approved Whistle Blowing Policy and the Communication Policy is in place to help identify the material issues pertaining to employees and industrial relations.
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 on pages 265 to 272 contains the details of the Property, Plant and Equipment of the Bank.
7.6 (ix)	Number of shares representing the Bank's Stated Capital.	Note 41 to the Financial Statements on page 292 contains the details of the Stated Capital of the Bank.
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 on pages 96 to 105 contains the Frequency Distribution of Shareholders.

Listing Rule Reference	Disclosure Requirement	Section/Reference
7.6 (xi)	<p>Ratios and market price information:</p> <p>Equity: Dividend per share, Dividend pay out, Net asset value per share, Market value per share.</p> <p>Debt: Interest rate of comparable government security, Debt/equity ratio, Interest cover, Quick asset ratio, Market prices & yield during the year, any changes in credit rating.</p>	<p>Investor Information on pages 96 to 105 contains the required information which are relevant to the Bank.</p> <p>Investor Information on pages 96 to 105 contains the required information which are relevant to the Bank. The Annual Report of the Board of Directors on the Affairs of the Company on pages 185 to 196 contains the credit rating assigned for the Bank as well as for the subordinated debentures issued by the Bank.</p>
7.6 (xii)	<p>Significant changes in the Entity's or its Subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.</p>	<p>Note 29 to the Financial Statements on pages 265 to 272 contains the details of the Property, Plant and Equipment of the Bank.</p>
7.6 (xiii)	<p>Details of funds raised through Public Issues, Rights Issues, and Private Placements during the year.</p>	<p>Investor Information on pages 96 to 105 contains the details of Rights Issues of the Bank.</p> <p>There were no Public Issues and Private Placements during the year.</p>
7.6 (xiv)	<p>(a) Information in respect of Employee Share Option Schemes (ESOS)</p> <ul style="list-style-type: none"> ➤ The number of options granted to each category of employees during the financial year. ➤ Total number of options vested but not exercised by each category of employees during the financial year. ➤ Total number of options exercised by each category of employees and the total number of shares arising therefrom during the financial year. ➤ Options cancelled during the financial year and the reasons for such cancellation. ➤ The exercise price. ➤ A declaration by the Directors of the Entity confirming that the Entity or any of its Subsidiaries has not, directly or indirectly, provided funds for the ESOS. <p>(b) Information in respect of Employee Share Purchase Schemes (ESPS)</p> <ul style="list-style-type: none"> ➤ The total number of shares issued under the ESPS during the financial year. ➤ The number of shares issued to each category of employees during the financial year. ➤ The price at which the shares were issued to the employees. ➤ A declaration by the Directors of the Entity confirming that the entity or any of its Subsidiaries has not, directly or indirectly, provided funds for the ESPS. 	<p>Not applicable as the Bank does not have Employee Share Option Schemes at present.</p> <p>Further, details disclosed in Investor Information on pages 96 to 105 contains the details of the previous Employee Share Option Schemes of the Bank.</p> <p>Not applicable as the Bank does not have Employee Share Purchase Schemes.</p>

CORPORATE GOVERNANCE

Listing Rule Reference	Disclosure Requirement	Section/Reference
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 Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the annual report the names of Directors determined to be 'Independent'.	Disclosures relating to Directors are included in the Annual Report of the Board of Directors on the Affairs of the Company on pages 185 to 196. Profiles of Directors of the Bank are given on pages 20 to 25.
	b. In the event a Director does not qualify as 'Independent' against any of the criteria set out below but if the Board, taking account all the circumstances, is of the opinion that the Director is nevertheless 'Independent', the Board shall specify the criteria not met and the basis for its determination in the annual report.	
	c. In addition to disclosures relating to the independence of a Director set out above, the Board shall publish in its annual report a brief resume of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.	
	d. Upon appointment of a new Director to its Board, the Bank shall forthwith provide to the Exchange a brief resume of such Director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	Market Disclosures were made to the Colombo Stock Exchange upon appointment of New Directors during the year.
	7.10.5 Remuneration Committee	
	7.10.5.c Disclosure in the Annual Report	
	<p>➤ The annual report should set out 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.</p> <p>The Term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the Listed Entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).</p>	<p>The composition of the Board Human Resources and Remuneration Committee is given on pages 173 and 174.</p> <p>The aggregate remuneration to Executive and Non-Executive Directors are given on Note 46.3.1 to the Financial Statements on page 298.</p>

Listing Rule Reference	Disclosure Requirement	Section/Reference
	<p>7.10.6 Audit Committee</p> <p>7.10.6.c Disclosure in the Annual Report</p>	
	<p>➤ The names of the Directors (or persons in the Parent Company's committee in the case of a group company) comprising the Audit Committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.</p> <p>The annual report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.</p>	<p>The composition of the Board Audit Committee is given on pages 170 to 172.</p> <p>The Committee through their annual evaluation assessed the level of independence of the External Auditors.</p>
7.6 (xvi)	<p>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.</p> <p>Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.</p> <p>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.</p>	<p>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 2020.</p> <p>The same has been disclosed in the Investor Information on pages 96 to 105.</p>

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (the Committee), which was established on 10th April 1997, is appointed by and responsible to the Board of Directors (the Board). The Committee comprises Three (03) Non-Executive Directors, and is chaired by an Independent Non-Executive Director, who conducts Committee proceedings in accordance with the Committee's Terms of Reference approved by the Board.

The Committee's composition during the year under review was as follows:

Mr Dilip de S Wijeyeratne
Chairman (IND/NED) (w.e.f. 01.04.2020)

Dr Sanjiva Weerawarana
(IND/NED)

Mr Deshal de Mel
(IND/NED)

Mr Ranil Pathirana
(NID/NED) (up to 31.12.2020)

(IND - Independent Director, NID - Non-Independent Director and NED - Non-Executive Director)

(w.e.f. - with effect from)

Mrs Ranjani Joseph, a senior practicing Chartered Accountant at KPMG, serves the Committee in the capacity of Consultant and is invited to attend the meetings.

Brief profiles of the members of the Committee are given on pages 20 to 25 of the Annual Report. The Company Secretary functioned as the Secretary to the Committee, in the absence of the Company Secretary, his nominee or the Group Chief Internal Auditor (GCIA) functioned as the Secretary to the Committee during the year under review.

The Chairman of the Committee, Mr Dilip de S Wijeyeratne, 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 and counts many years of experience in the Financial Services industry.

TERMS OF REFERENCE

The establishment, role and functions of the Board Audit Committee are regulated by the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka, the Rules on Corporate Governance as per Section 7.10 of Listing Rules issued by the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Committee submits its minutes and reports on its activities to the Board regularly and also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

MEETINGS

The Committee met on Fifteen (15) occasions during the year 2020. Attendance by the Committee members at these meetings is given in the table on page 121 of the Annual Report. The Group Chief Internal Auditor attends the meetings regularly and the Managing Director, Executive Director/Group Chief Financial Officer, the Consultant to the Board Audit Committee and the External Auditors also attended these meetings by invitation. Four of these meetings were held to consider and recommend to the Board of Directors, the Bank's Quarterly and Annual Financial Statements. The Committee held two meetings with the External Auditor; Ernst & Young independently, without the presence of executive management, to discuss the progress and conclusion of the Audit.

ROLE AND RESPONSIBILITIES

The Committee is responsible for:

1. Reviewing financial information, in order to monitor the integrity of the Financial Statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure.
2. Reporting to the Board on the quality, appropriateness and acceptability of the Bank's accounting policies and practices.

3. Assessing the reasonableness of the underlying assumptions for estimates and judgments made in preparing the Financial Statements.
4. Reviewing accounting and financial reporting, risk management processes and regulatory compliance.
5. Reviewing the Financial Statements (including quarterly interim statements) prior to publication to ensure constant and continuous compliance with statutory provisions, accounting standards and accounting policies.
6. Reviewing Internal Audit reports and liaising with the Bank's Corporate Management to ensure that precautionary measures are taken to minimise and control weaknesses, procedure violations, frauds and errors.
7. Assessing the independence and reviewing the adequacy of the scope, functions and resources of the Internal Audit Department, including the appointment of the Group Chief Internal Auditor and the performance of the Head and senior staff members of the Internal Audit Department.
8. 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 to ensure that the engagement of the Audit Partner shall not exceed five years and that the particular Audit Partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.
9. Reviewing the effectiveness of the Bank's system of Internal Control Over Financial Reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes have been done in accordance with applicable accounting standards and regulatory requirements.

10. Engaging Independent Advisors for specialised functions where it deems necessary.

ACTIVITIES IN 2020

COVID-19 Outbreak

The global outbreak and spread of COVID-19 from January 2020 has caused disruption to business and economic activities, and widespread uncertainty among all countries around the world. Locally, containment measures taken by the government in response to the COVID-19 pandemic also caused temporary disruption to the Bank and its customers.

The Bank has complied with all the requirements prescribed by the CA Sri Lanka, the Central Bank of Sri Lanka and the Colombo Stock Exchange during the year under review.

The Bank further strengthened its internal controls over financial reporting process to ensure that the impact on COVID-19 moratorium on interest income and impairment provisions were accurately captured. The Bank has recognised additional impairment provisions as management overlay to ensure that the potential impact to its loan book is adequately covered in the financial statements.

Necessary steps were also taken during this period to further strengthen the cyber security processes.

The Board Audit Committee reviewed the new and changed risks, changes to the internal control systems, crisis management system of the Bank and the agility of the Internal Audit function through working remotely on reshaped audit plans etc.

Financial Reporting

The Committee, as part of its responsibility to oversee the Bank's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the Management and the External Auditors, the Quarterly and the Annual

Financial Statements prior to their release. The review included the quality, appropriateness and acceptability of accounting policies and practices, the clarity of the disclosures and the extent of compliance with financial reporting standards, in terms of the Companies Act No. 7 of 2007, Banking Act No. 30 of 1988 and other relevant financial and governance reporting requirements.

To facilitate the review, the Committee considered reports from the Executive Director/Group Chief Financial Officer and reports from the External Auditors on the outcome of the Annual Audit.

The Committee also closely monitored the training and awareness sessions on SLFRS 9 (Financial Instruments) conducted by the Management to all stakeholders including the Board and Senior Management during 2020. It will continuously strengthen the processes and controls around management information systems and reports required for validation and compliance in line with SLFRS 9 and financial statement disclosures related to risk management.

External Auditors

The Committee reviewed and monitored the External Auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

The Committee ensured that the lead audit partner was rotated every five years in accordance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka. The Committee discussed with the Auditors their audit plan, scope and the methodology they propose to adopt in conducting the annual audit prior to its commencement. The Auditors were also provided with the opportunities to meet the Audit Committee separately, without the presence of executive management, to ensure that the Auditors had the independence to discuss and express their opinions on any matter. There was no

limitation of scope and the Management has fully provided all information and explanations requested by the Auditors.

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 approved the policy in place on Non-Audit Services provided by the External Auditors in 2020 in line with the regulatory requirement.

The committee reviewed the Letter of Representation issued to the External Auditors by the Board.

The Committee has recommended to the Board that Messrs Ernst and Young, Chartered Accountants, be reappointed for the financial year ending 31st December 2021, subject to the approval of shareholders at the next Annual General Meeting.

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 as of 31st December 2020. The Bank assessed the effectiveness of its Internal Control Over Financial Reporting as of 31st December 2020 based on the criteria set out in the Guidance for Directors of Banks on "The Directors' Statement of Internal Control", issued by the CA Sri Lanka in 2010.

The Bank's assessment was based on processes documented by the respective process owners. For the successful implementation of this task, a steering committee (Internal Control Over Financial Reporting Steering Committee) headed by the Executive Director/Group Chief Financial Officer and comprising of relevant members of the Corporate Management and other relevant

BOARD AUDIT COMMITTEE REPORT

► GRI - 102-33,34

Department Heads was formulated in 2010 with the guidance of the Bank's External Auditors (Ernst & Young). At present, the Group Chief Internal Auditor (Chairperson), Executive Director/Group Chief Financial Officer, Group Chief Risk Officer and Group Chief Compliance Officer serves in the Internal Control Over Financial Reporting Steering Committee. The Internal Audit Department carries out a series of walk-through tests to establish their adequacy of documented processes and make appropriate recommendations where necessary.

Based on Internal Auditors' and External Auditors' assessments, the Board has concluded that, as of 31st December 2020, the Bank's Internal Control Over Financial Reporting is effective. Directors' Statement on the Bank's Internal Control Over Financial Reporting is provided on pages 197 and 198. The Bank's External Auditors have audited the effectiveness of the Bank's Internal Control Over Financial Reporting and have reported to the Board that nothing has come to their attention that causes them to believe that the financial reporting was inconsistent with their understanding of the processes adopted by the Board in the review of the design and effectiveness of the internal control system of the Bank. The External Auditors' Report on the Bank's Internal Control Over Financial Reporting is provided on page 199.

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 Group Chief Internal Auditor.

The Committee also reviewed the major findings of Investigations and potential fraud monitoring activities carried out during the year.

All Internal Audit reports were made available to External Auditors as well.

The Committee reviewed the resource requirements of the Internal Audit Department and appraised the retirement of the previous Chief Internal Auditor (CIA) and the recruitment of the new GCIA. The performance evaluation of the GCIA and the senior staff members of the Internal Audit Department for the year 2020 will be carried out by the Committee during the first quarter of 2021.

COVID-19 pandemic has caused a shift in how the Internal Audit function operates within the business. The Internal Audit had to revisit its role within the business continuity efforts. The initial Internal Audit Plan was reshaped through agile auditing and dynamic risk assessment. Normal on-site audits were limited, remote work and continuous monitoring were carried out and areas with potential risks were more focused.

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 2020 is provided on pages 149 to 165. 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 directive. Their findings presented in their report dated 15th February 2021 addressed to the Board are consistent with the matters disclosed above and any inconsistencies to those reported by the Board on pages 149 to 165 have not been identified.

Whistle Blowing

The Bank's Whistle Blowing 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 through the Company Secretary or GCIA. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints, which are covered under whistle blowing, are investigated under the said Policy. The Whistle Blowing Policy was reviewed and recommended by the Committee during the year 2020 in order to further strengthen the policy as a communication channel to raise any genuine concerns.

REPORTING TO THE BOARD

The Minutes of the Committee meetings are tabled at the Board meetings enabling all Board members to have access to them.

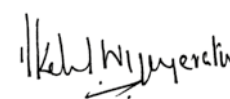
PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice from time to time on matters within its purview. During the year, consultations were held with various professionals, on matters under the Committee's purview.

BOARD AUDIT COMMITTEE EVALUATION

The annual self-evaluation of the Committee was conducted by the members of the Board Audit Committee during the year and concluded that its performance was effective.

On behalf of the Board Audit Committee,



DILIP DE S WIJYERATNE
Chairman - Board Audit Committee

15th February 2021

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

►GRI - 102-35,36

The Board Human Resources and Remuneration Committee (the Committee) comprises Four (04) Non-Executive Directors.

The Committee's composition during the year under review was as follows:

Ms Aroshi Nanayakkara

Chairperson (IND/NED)
(w.e.f. 30.08.2020)

Mr Dilip de S Wijeyeratne

(IND/NED)

Mr Deshal de Mel

(IND/NED)

Mr Vajira Kulatilaka

(IND/NED) (w.e.f. 31.07.2020)

Mrs Dhara Wijayatilake

Chairperson (IND/NED)
(up to 29.08.2020)

Ms Annika Senanayake

(IND/NED) (up to 31.12.2020)

Mrs Saumya Amarasekera

(IND/NED) (up to 02.06.2020)

Mr Sanjiva Senanayake

(IND/NED) (up to 11.04.2020)

(IND - Independent Director, NID - Non-Independent Director and NED - Non-Executive Director)

(w.e.f. - with effect from)

Brief profiles of the Members are given on pages 20 to 25 of the Annual Report.

MEETINGS

During the year under review, Ten (10) meetings were held. The attendance of the members at these meetings is given on page 121 of this Report. The Managing Director (MD) and the Group Chief Human Resource Officer as well as other executive staff also attended meetings by invitation, to assist in the Committee's deliberations.

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.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role and functions of the Committee are defined by the provisions of Direction No. 11 of 2007 made under the Banking Act by the Central Bank of Sri Lanka (the Directive), the Mandatory Code of Corporate Governance for Licensed Commercial Banks and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

DUTIES OF THE COMMITTEE

The Committee focuses on the following key activities in discharging its responsibilities.

1. Formulating remuneration policies (salaries, allowances and other financial payments) relating to Directors, CEO/MD and Key Management Personnel (KMP) of the Bank and submitting the same for the approval of the Board. (Vide Direction 3(6)(iii)(a) of the Directive).
2. Identifying goals and targets for the Directors, CEO/MD and Key Management Personnel (KMP) and submitting the same for the approval of the Board. (Vide clause 3(6)(iii)(b) of the Directive).
3. 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. (Vide clause 3(6)(iii)(c) of the Directive).

4. Recommending to the Board such amendments to its scope as may, in its view be desired, to achieve better corporate governance objectives.
5. Advising the KMP heading the Human Resources Department of the Bank with regard to revision of salaries of Bank staff and of any major organisational changes needed for the Bank's purpose.
6. 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.
7. Reviewing, commenting and reporting to the Board on the HR related development plans, talent retention and career development for potential successors.
8. Monitoring and making all necessary recommendations to the Board on ethical standards to be adopted with regard to human capital and ensuring that the management has institutionalised a process to ensure compliance with these standards.
9. Keeping the provisions of the Bank's Pension Plan under review.
10. Reviewing the Terms of Reference (TOR) of the Committee periodically, and ensuring that it reflects the best practices of the industry at all times.
11. Assessing the performance of the Committee based on the requirements.

PERFORMANCE

The Committee discharged its responsibilities in compliance with its TOR, for which purpose the Human Resources related policies, the staff structure, the training programmes and disciplinary procedures were reviewed and revisions were made as appropriate. The performance appraisal of the MD and Key

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Management Personnel were completed after reviewing the targets in compliance with the Plan of Action of the Bank.

Remuneration and salary structures were reviewed and finalised.

The Committee periodically reviewed the organisation structure and recommended changes that were identified, including those necessary to respond to the specific challenges faced by the industry during the year under review.

The Committee reviewed and revised the Disciplinary Procedure of the Bank to ensure that principles of good governance were complied with while also ensuring that the disciplinary regime provided a fair process to deal with indiscipline.

The Committee also reviewed existing policies to ensure that the Bank endorses a culture that respects equality among all as articulated in the Constitution of Sri Lanka, including gender equality.

With regard to capacity building of staff, the Committee monitored the implementation of new initiatives introduced in respect of learning and development activities, including the online Learning Management System that replaced the e-learning platform.

The Committee also kept under review the effectiveness of the Bank's training programmes and monitored the outcome of such programmes to ensure that the programmes were relevant and of value. The focus was on enhancing the performance of the staff to deliver an efficient service to the clients.

The Committee reviewed and updated the Grievances Handling Policy to foster a supportive, fair and pleasant workplace for everyone.

The Code of Conduct & Letter of Appointment of KMPs was reviewed and updated to maintain the industry standards of the area in concern.

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 evaluation of the Committee was conducted by the members of the Committee at the end of the year and concluded that its performance was effective.

On behalf of the Board Human Resources and Remuneration Committee,



AROSHI NANAYAKKARA

Chairperson - Board Human Resources and Remuneration Committee

Colombo, Sri Lanka
15th February 2021

BOARD NOMINATION COMMITTEE REPORT

►GRI - 102-24

The Board Nomination Committee (the Committee) comprises Four (04) Non-Executive Directors.

The Committee's composition during the year under review was as follows:

Mr Deshal de Mel

Chairman (IND/NED) (w.e.f. 01.01.2021)

Mr Rushanka Silva

(NID/NED) (w.e.f 01.05.2020)

Mr Harsha Amarasekera

(NID/NED) (w.e.f 24.09.2020)

Mrs Keshini Jayawardena*

(IND/NED)

Ms Annika Senanayake

Chairperson (IND/NED)
(up to 31.12.2020)

Prof Malik Ranasinghe

(IND/NED) (up to 29.08.2020)

Mrs Dhara Wijayatilake

(IND/NED) (up to 29.08.2020)

Mrs Saumya Amarasekera

(NID/NED) (up to 02.06.2020)

Mr Sanjiva Senanayake

(IND/NED) (up to 11.04.2020)

**Mrs Keshini Jayawardena was appointed to the Committee w.e.f. 27.01.2021.*

(IND - Independent Director, NID - Non-Independent Director and NED - Non-Executive Director)

(w.e.f. - with effect from)

Brief profiles of the Members are given on pages 20 to 25 of the Annual Report.

MEETINGS

During the year under review, Twelve (12) Committee meetings were held. The attendance of the members at these meetings is given on page 121 of this Report. The Managing Director (MD) attends meetings by invitation, to assist the Committee's deliberations.

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.

REGULATIONS/RULES RELEVANT TO THE COMMITTEE

The role and functions of the Committee as defined by the provisions of Direction No. 11 of 2007 made under the Banking Act by the Central Bank of Sri Lanka (the Directive), the Mandatory Code of Corporate Governance for Licensed Commercial Banks and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

DUTIES OF THE COMMITTEE

The Committee focuses on the following key activities in discharging its responsibilities.

1. Implementing a procedure to select/appoint new Directors, CEO/MD and Key Management Personnel. (Vide Direction 3(6)(iv)(a) of the Directive).
2. 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. (Vide Direction 3(6)(iv)(b) of the Directive).

3. Set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion for the positions of CEO/MD and the key management positions. (Vide Direction 3(6)(iv)(c) of the Directive).
4. Ensuring that Directors, CEO/MD and Key Management Personnel are fit and proper persons to hold office as specified in the criteria specified under Statutory and Regulatory requirements (Vide Direction 3(6)(iv)(d) of the Directive).
5. Consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel. (Vide Direction 3(6)(iv)(e) of the Directive).
6. Review the Terms of Reference (TOR) of the Committee periodically, to ensure that it reflects the best practices of the industry at all times.
7. Assess the performance of the Committee annually.

PERFORMANCE

The Committee discharged its responsibilities in compliance with its TOR, for which purpose the members of the Committee continued to work closely with the Board and Board HR & Remuneration Committee, in reviewing the structure and skills needed for a steadfast, strong and successful Bank. Further, the Committee also reviewed its own performance, constitution and Terms of Reference to ensure that it is operating effectively and recommend necessary changes as needed.

BOARD NOMINATION COMMITTEE REPORT

During the year under review, the Committee continued to focus on a progressive organisational plan in keeping with the forward and evolutionary momentum of the Sri Lankan banking industry. The Committee, having considered the skills, knowledge, expertise and experience, made the recommendations to the Board in respect of the following appointments:

Mr Harsha Amarasekera

Chairman of the Board (NID/NED)

Mr Vajira Kulatilaka

(IND/NED)

Mrs Keshini Jayawardena

(IND/NED)

Mr Ajantha de Vas Gunasekara

(Executive Director/
Group Chief Financial Officer)

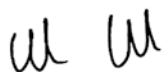
REPORTING TO THE BOARD

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 evaluation of the Committee was conducted by the members of the Committee at the year end and concluded that its performance was effective.

On behalf of the Board Nomination Committee,



DESHAL DE MEL

Chairman - Board Nomination Committee

Colombo, Sri Lanka
15th February 2021

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

►GRI - 102-30

The Board Integrated Risk Management Committee (the Committee) comprises Three (03) Non-Executive Directors, One (01) Executive Director and Two (02) members from the Management.

The Committee's composition during the year under review was as follows:

Board representatives:

Mr Deshal de Mel

(Chairman) (IND/NED) (w.e.f. 12.04.2020)

Mr Dilip de S Wijeyeratne

(IND/NED)

Dr Sanjiva Weerawarana

(IND/NED)

Mr Nanda Fernando

(ED)

Mr Sanjiva Senanayake

(Chairman) (IND/NED) (up to 11.04.2020)

Mrs Saumya Amarasekera

(NID/NED) (up to 02.06.2020)

(NID - Non-Independent Director, IND - Independent Director, NED - Non-Executive Director and ED - Executive Director)

(w.e.f. - with effect from)

Management representatives:

Mrs Achala Wickremaratne

(Group Chief Risk Officer)

Mr Sisira Dabare

(Group Chief Compliance Officer)

Brief profiles of the Members are given on pages 20 to 25 of the Annual Report.

MEETINGS

During the year under review, Nine (09) Committee meetings were held. The attendance of the members at each of these meetings is given on page 121 of this Report.

Key Management Personnel (KMP) in charge of Information Security, Credit, Market, Liquidity, Operational, Strategic Risks and Anti-Money Laundering also attended meetings of the Committee, by invitation to assist in the Committee's deliberations.

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.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role and functions of the Committee are defined by the provisions of Direction No. 11 of 2007 made under the Banking Act by the Central Bank of Sri Lanka (the Directive), the Mandatory Code of Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

DUTIES OF THE COMMITTEE

The Committee focuses on the following key activities in discharging its responsibilities.

1. Assessing all risks faced by the Bank including as Credit, Market, Liquidity, Operational and Strategic Risks on a monthly basis through appropriate risk indicators and management information. In case of subsidiary companies, risk management is done both on a Bank basis and Group basis. (Vide clause 3(6)(v)(b) of the Directive).
2. Reviewing the adequacy and effectiveness of all management level committees such as the Credit Policy, Risk & Portfolio Review Committee, ALCO (Asset & Liability Management Committee) and Risk & Compliance Committee to address specific risks and to manage those risks within

quantitative and qualitative risk limits as specified by the Committee. (Vide clause 3(6)(v)(c) of the Directive).

3. Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory, supervisory requirements. (Vide clause 3(6)(v)(d) of the Directive).
4. Assessing all aspects of Risk Management and Compliance across the Bank including updated Business Continuity Plans. (Vide clause 3(6)(v)(e) of the Directive).
5. Referring to Bank's Disciplinary Committee regarding the officers responsible for failure to identify specific risks and taking prompt corrective action as recommended by the Committee and/or as directed by the Director of Bank Supervision, for the purpose of implementing corrective measures against such officer in compliance with clause 3(6)(v)(f) of the Directive.
6. Submitting a report on high priority risks to the Main Board on a monthly basis, in compliance with clause 3(6)(v)(g) of the Directive.
7. Establishing a compliance function and appointing a dedicated Compliance Officer selected from Key Management Personnel who functionally reports to the Committee periodically to assess the Bank's compliance with the laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. (Vide clause 3(6)(v)(h) of the Directive).
8. Recommending all policies relating to Risk Management for Board approval.
9. Setting-up risk appetite/tolerance limits of the Bank at enterprise and strategic business unit levels.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

10. Maintaining continued awareness of any changes in the Bank's risk profile.
11. Ensuring the existence of clear and independent reporting lines, responsibilities for the overall business activities and risk management functions.
12. Cultivating a proactive risk management culture within the Bank.
13. Periodically reviewing the risk exposures of the Bank to be in line with the Bank's objectives, business strategies and risk appetite.
14. Reviewing and formulating the strategy and methodology for allocation of risk/economic capital, including Internal Capital Adequacy Assessment Process (ICAAP) and recommending the same for Board approval.
15. Ensuring the adequacy of tools, systems and resources for the successful management of risk and compliance functions within the Bank and recommending the financial budget for the provision of adequate tools and systems to support the risk management functions.
16. Reviewing and approving risk related public disclosures to be made under CBSL directives.
17. Engaging with external and independent reviewers for validation of risk measurement methodologies and outputs as and when required.
18. Monitoring controls relating to "Information Security" and reviewing the progress of the "Information Security Committee" (ISC) on a quarterly basis.
19. Performing any other activity within the scope of risk related functions that is deemed by the Committee to be required, which will serve to enhance its or the risk function's efficiency and effectiveness.

20. Reviewing the Terms of Reference (TOR) of the Committee periodically, to ensure that it reflects the best practices of the industry at all times.
21. Annually assess the performance of the Committee.

PERFORMANCE

The Committee discharged its responsibilities in compliance with its TOR, and to enable this, the Committee received periodic reports on the Bank's performance against Key Risk Indicators (KRIs) from the Risk Management Department and Key Performance Indicators 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 within its risk appetite limits and to facilitate compliance with regulatory requirements, while facilitating the achievement of sound business results.

The work of the Committee was supported by the Risk Management Department, Compliance Department and Information Security Department of the Bank, headed by the Group Chief Risk Officer, the Group Chief Compliance Officer and the Chief Information Security Officer respectively, in discharging its responsibilities. The governance structure for the management of risk of the Bank is set out in the Risk Management Report given on pages 108 to 116 of the Annual Report.

The Risk Appetite of the Bank in all key risk areas, namely, Credit Risk, Market Risk, Liquidity Risk and Operational Risk have been defined and approved by the Board on the recommendation of the Committee. Regular reports have been provided to the Committee on the actual performance of the identified risk areas.

The Committee actively encouraged all the participants in the Committee meetings to comprehensively review all risks as well as to undertake analyses going beyond the requirements of the regulations. This year, the Bank's operations were subject to a unique risk environment in the context of the COVID-19 pandemic. Accordingly, risk models were re-visited and the risk outlook had to be considered through an unconventional framework.

The Committee undertook the following specific activities during the year:

1. The Committee along with Risk Management Department took several measures in responding to the COVID-19 pandemic including Work From Home arrangements for staff, strengthening of Disaster Recovery sites under Business Continuity Planning, adherence to safety instructions issues by Health Authorities to ensure staff health and safety, providing uninterrupted customer service through ATMs, Cash and Cheque Deposit Machines in branches closed due to lockdown and strengthening of Bank's digital channels.
2. Reviewed the Risk elevated industries in the context of the COVID-19 pandemic.
3. Assessed the impact of the COVID-19 lockdown and moratorium measures on the Bank's NPA levels by using a range of additional stress tests.
4. Actions were taken to mitigate Cyber Risk, i.e. conduct periodic internal and external vulnerability assessments, timely patch upgrades/update database, application, middleware & operating systems, strengthen the security measures by introducing an OTP/mandatory use of strong passwords.

5. Validated the Credit Rating Models to assess the discriminatory power of the models in determining the credit quality of the borrowers. Further action was taken to enhance the rating models based on the validation results/recommendations provided by the consultants.
6. The Bank's Credit Risk appetite limits were reviewed.
7. Supported the Bank's transition from the delinquency based ECL model to rating based ECL model.
8. Involvement in the development of an Early Warning System to enable branches to access information regarding potential default customers under their purview.
9. Tightened monitoring of top 30 exposures for selected high risk sectors. The findings of detailed sector-wise and borrower-wise portfolio analysis were assessed and mitigative actions were prescribed by the committee.
10. Establishment of a Board approved criteria on upgrading of the stage of impairment, related to restructured facilities.
11. Developed a Behavioural Scorecard to track the behaviour of personal borrowers and support decision making through predictive analysis. The new system is due to be implemented during the year 2021.
12. The Internal Capital Adequacy Assessment Process (ICAAP) was reviewed and further strengthened with the assistance of external consultants.
13. A Risk Matrix was developed based on the significant risk factors identified for the Bank with the guidance of the Committee.
14. Reviewed the existing Market Risk Appetite limits framework and introduced new appetite limits for Interest Rate Risk and Equity Risk.
15. Introduction of a Code of Conduct for Treasury operations along with Treasury Front Office and Treasury Back Office.
16. Measures were taken to implement the VaR model for Finacle Treasury and introduce VaR limits for Foreign Exchange Risk and Interest Rate Risk.
17. Enhancements were made to the Bank's liquidity contingency plan.
18. The Bank's operational risk framework was further strengthened with the addition of 10 new KRIs covering several business functions.
19. The Risk and Control Self-Assessment (RCSA) process was reviewed in the year 2020.
20. Increased risk awareness levels of the Committee members by arranging a session on "How BIRMC Can Lead Risk Management Functions Amidst COVID-19" conducted by EY Sri Lanka.
21. Organised an awareness session by VISA International on "Risk Associated with Digital Transformation of Banks" to face challenges of the new normal.
22. Information Security Status reports submitted by the Information Security Department/IT Department were reviewed and acknowledged. Steps were taken to enhance the efficiency of monitoring and to mitigate/avoid possible risks arising from the IT systems in respect of Credit, Market, Liquidity, Operational and Strategic Risks of the Bank by the Committee.

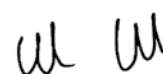
REPORTING TO THE BOARD

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.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE EVALUATION

The annual evaluation of the Committee was conducted by the members of the Committee at the year end and it was determined that its performance was effective.

On behalf of the Board Integrated Risk Management Committee,



DESHAL DE MEL

Chairman - Board Integrated Risk Management Committee

Colombo, Sri Lanka
15th February 2021

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board Related Party Transactions Review Committee (the Committee) comprises Four (04) Non-Executive Directors.

The Committee's composition during the year under review was as follows:

Mr Vajira Kulatilaka

Chairman (IND/NED) (w.e.f 30.08.2020)

Mr Deshal de Mel

(IND/NED)

Dr Sanjiva Weerawarana

(IND/NED) (w.e.f 25.06.2020)

Mr Dilip de S Wijeyeratne

(IND/NED) (w.e.f 31.07.2020)

Mrs Dhara Wijayatilake

Chairperson (IND/NED)

(up to 29.08.2020)

Prof Malik Ranasinghe

(IND/NED) (up to 29.08.2020)

Mr Sanjiva Senanayake

(IND/NED) (up to 11.04.2020)

(IND - Independent Director, NED - Non-Executive Director)

(w.e.f. - with effect from)

Brief profiles of the Members are given on pages 20 to 25 of the Annual Report.

MEETINGS

During the year under review, Five (05) Committee meetings were held. The attendance of the members at these meetings is given on page 121 of this Report. The Managing Director (MD) and other Key Management Personnel (KMP) attended meetings by invitation, to assist the Committee's deliberations.

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.

REGULATIONS/RULES RELEVANT TO THE COMMITTEE

The role, functions and the composition of the Committee as defined by the provisions of Code of Best Practices issued by the Securities & Exchange Commission of Sri Lanka (the "SEC Code"), Section 9 of the Listing Rules of the Colombo Stock Exchange (the "CSE Rules"), Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Direction No. 11 of 2007 (the "Directive") made under the Banking Act by the Central Bank of Sri Lanka, the Mandatory Code of Corporate Governance for Licensed Commercial Banks.

DUTIES OF THE COMMITTEE

The Committee focuses on the following key activities in discharging its responsibilities.

1. 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" as authorised by the Board. (Vide clause 2(7) (i) and 3(7)(i) of the Directive).
2. Ensuring that the transactions with related parties are identified by the respective authorities in line with the regulatory requirements. (Vide clause 3(7)(ii) of the Directive).
3. Maintaining the Board approved standard to 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. (Vide clause 3(7)(iii) of the Directive).

4. Ensuring that the Bank shall not grant any accommodation to any of its Directors or to a close relation of such Director or to any concern in which the person has a substantial interest unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. And to ensure all regulations pertaining to such accommodations are followed. (Vide clause 3(7)(iv)(v)(vi) and (vii) of the Directive).
5. Ensuring that there is an adequately effective and efficient system in place to capture information which is relevant to its review function.
6. Obtaining professional and expert advice from qualified persons, where such advice is necessary for the performance of the review function.
7. Reviewing the Terms of Reference (TOR) of the Committee periodically to ensure that it reflects the best practices of the industry at all times.
8. Assessing the performance of the Committee annually.
9. Recommending to the Board such amendments to its scope as may, in its view be applicable, to achieve better compliance with regulatory requirements.

PERFORMANCE

The Committee discharged its responsibilities in compliance with its TOR, for which purpose the Committee reviewed the relevant Related Party Transactions quarterly or as and when required and communicated its observations to the Board. These are published in the Note 46 to the Financial Statements.

While understanding the business exigencies of the Bank, the Committee also took steps to expedite its decision making process in respect of the Related Party Transactions of the Bank.

The Committee introduced further improvements to the existing procedure in handling Related Party Transactions of the Bank based on the expert advice received from qualified persons.

The process of capturing Related Parties of the Bank was reviewed during the year and strengthened further to maintain the industry standards with the assistance of technological advancement of the Bank.

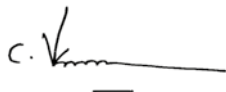
REPORTING TO THE BOARD

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 evaluation of the Committee was conducted by the members of the Committee at the end of the year and concluded that its performance was effective.

On behalf of the Board Related Party Transactions Review Committee,



VAJIRA KULATILAKA

Chairman - Board Related Party Transactions Review Committee

Colombo, Sri Lanka
15th February 2021

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FINANCIAL INFORMATION

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*A
Million
Transactions*

Sampath Bank is deeply invested in delivering consistent performance across the board. We're designing a future built on a million more transactions to ensure long-term value creation and growth.

FINANCIAL CALENDAR

Financial Calendar - 2020

2019 Annual Report and Audited Financial Statements signed on	13th February 2020
34th Annual General Meeting held on	02nd June 2020
Rs 11.75 per share Final Cash Dividend for 2019 distributed on	12th June 2020
2020 Annual Report and Audited Financial Statements signed on	15th February 2021
35th Annual General Meeting to be held on	30th March 2021
Rs 8.25 per share Final Cash Dividend for 2020 distributable on	23rd April 2021*

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
2019 4th Quarter interim results released on	14th February 2020	28th February 2020	05th March 2020	05th March 2020
2020 1st Quarter interim results released on	13th May 2020	29th May 2020	01st June 2020	01st June 2020
2020 2nd Quarter interim results released on	13th August 2020	24th August 2020	25th August 2020	25th August 2020
2020 3rd Quarter interim results released on	12th November 2020	25th November 2020	26th November 2020	26th November 2020

Proposed Financial Calendar - 2021

2021 Annual Report and Audited Financial Statements to be signed in	February 2022
36th Annual General Meeting to be held in	March 2022
Final dividend for 2021 payable in	April 2022**

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
2020 4th Quarter interim results to be released on or before	16th February 2021	31st March 2021	31st March 2021	31st March 2021
2021 1st Quarter interim results to be released on or before	14th May 2021	31st May 2021	31st May 2021	31st May 2021
2021 2nd Quarter interim results to be released on or before	13th August 2021	31st August 2021	31st August 2021	31st August 2021
2021 3rd Quarter interim results to be released on or before	15th November 2021	30th November 2021	30th November 2021	30th November 2021
2021 4th Quarter interim results to be released on or before	28th February 2022	31st March 2022	31st March 2022	31st March 2022

* Subject to approval of Shareholders and based on the number of shares in issue as at 15th February 2021.

** Subject to recommendation by Board of Directors and approval of 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 2020, 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, conforming to the requirements of the Companies Act No. 7 of 2007 and the Banking Act No. 30 of 1988 and its amendments. The Financial Statements reviewed and recommended by the Board Audit Committee were approved by the Board of Directors on 15th February 2021.

This report includes the information required by the Companies Act No. 7 of 2007, Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks and subsequent amendments thereto, 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 15th February 2021. 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.

The 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", which was subsequently changed to Sampath Bank Limited. The Company was re-registered as per the requirements of the Companies Act No. 7 of 2007 ("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 unsecured subordinated redeemable debentures including the Basel III compliant debentures are also listed on the Colombo Stock Exchange.

The Bank has been assigned a National Long-Term Rating of 'AA- (lka) with Stable outlook' by Fitch Ratings Lanka Limited. The subordinated debentures have been assigned a rating of 'A (lka)'.

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 VISION, VALUES AND CORPORATE CONDUCT

The Bank's Vision and Values are given in page 16 of the Annual Report. The business activities of the Bank are conducted at a high level of ethical standards in achieving its Vision.

3 PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of the Bank and the Group during the year are given below as required by the Section 168 (1)(a) of the Companies Act.

3.1 The Bank

The principal activities of the Bank include accepting deposits, corporate and retail banking, project financing, trade financing, treasury and investment services, issuance of local and international credit and debit cards, off-shore banking, resident and non-resident foreign currency operations, electronic banking services such as telephone banking, internet banking, mobile banking, payment gateway, money remittance facilities, pawning, gold loans, leasing, factoring, hire purchase, travel related services and dealing in Government Securities etc.

3.2 Subsidiaries

The Bank owned four subsidiaries as at 31st December 2020. Names of the subsidiaries and their principal business activities are as tabulated below:

Entity	Principal Business Activities
Siyapatha Finance PLC	Granting leasing, hire purchase, factoring, other loan facilities and accepting deposits
Sampath Centre Limited	Renting of commercial property
SC Securities (Pvt) Ltd	Stock broking
Sampath Information Technology Solutions Limited	Software development, renting of IT equipment, IT resource outsourcing & consultancy

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

4 CHANGES TO THE GROUP STRUCTURE

There were no changes made to the Group structure during the year under review.

5 REVIEW OF OPERATIONS

A review of the financial and operational performance of the Bank and the Group together with important events that took place during the year 2020 as required by the Section 168(1)(a) of the Companies Act are contained in the Chairman's Message (pages 30 to 35), the Managing Director's Review (pages 36 to 41), and Management Discussion and Analysis (pages 52 to 105). These reports form an integral part of the Annual Report of the Board of Directors. No new branches were opened during the year.

6 FUTURE DEVELOPMENTS

The Bank will focus on a business expansion drive through the 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 on innovative product development, process improvements and staff development, all aimed at fulfilling the rapidly changing customer needs in the challenging market conditions and maximising the value created for all the stakeholders. As required under Section 168(1)(a) of the Companies Act, an overview of the future development of the Bank and the Group is given in the Chairman's Message (pages 30 to 35), the Managing Director's Review (pages 36 to 41), and Management Discussion and Analysis (pages 52 to 105). These reports form an integral part of the Annual Report of the Board of Directors.

7 FINANCIAL STATEMENTS

The Financial Statements of the Group and the Bank have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of

Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 7 of 2007, the Banking Act No. 30 of 1988 and regulatory requirements inclusive of specific disclosures. As required by Section 168(1)(b) of the Companies Act, the aforementioned Financial Statements for the year ended 31st December 2020 duly signed by the Executive Director/Group Chief Financial Officer, three more Directors of the Bank and the Company Secretary are given on pages 208 to 343. These Financial Statements form an integral part of this Annual Report of the Board of Directors.

8 DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Group and the Bank to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages 208 to 343 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act and amendments thereto, the Listing Rules of the Colombo Stock Exchange and the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (CBSL). The Statement of Directors' Responsibility for Financial Reporting is given on pages 201 and 202 which forms an integral part of the Annual Report of the Board of Directors.

9 AUDITORS' REPORT

The Auditors of the Bank are Messrs Ernst & Young, Chartered Accountants. Messrs Ernst & Young carried out the audit on the Financial Statements of the Group and the Bank for the year ended 31st December 2020 and their report on those Financial Statements, as required by Section 168(1)(c) of the Companies Act is given on pages 203 to 207.

10 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 216 to 343 as required by Section 168(1)(d) of the Companies Act.

11 FINANCIAL RESULTS AND APPROPRIATIONS

11.1 Income

The gross income of the Group for 2020 was Rs 109,207,964,000/- (2019: Rs 125,920,522,000/-) whilst the Bank's gross income was Rs 102,338,976,000/- (2019: Rs 118,854,549,000/-). An analysis of the gross income is given in Note 6 to the Financial Statements.

11.2 Profit and Appropriations

The Group's profit before tax and profit after tax have decreased by 27.2% and 27.6% respectively in 2020 compared to 2019. The Bank's profit before tax and profit after tax for the year too recorded a negative growth of 27.9% and 28.0% respectively over 2019. Group's Total Comprehensive Income (net of tax) for the year was Rs 7,419,543,000/- (2019: Rs 11,118,823,000/-) whilst the Bank has recorded a Total Comprehensive Income (net of tax) of Rs 7,004,536,000/- (2019: Rs 10,329,324,000/-). A detailed breakdown of the profits and appropriations of the Bank is given below:

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Profit for the year after payment of all operating expenses and provision for depreciation and contingencies	11,171,887	15,498,230
Less: Income tax expense	3,146,740	4,347,343
Net profit after taxation	8,025,147	11,150,887
Other comprehensive income (OCI)		
Actuarial (losses)/gains on defined benefit plans	(2,848,521)	(1,462,814)
Deferred tax effect on above	797,586	409,588
	5,974,212	10,097,661
Unappropriated balance brought forward from previous year	6,106,642	5,643,642
	12,080,854	15,741,303
Appropriations		
Transfer to Statutory Reserve Fund	(410,000)	(570,000)
Transfer to General Reserve	(3,000,000)	(4,500,000)
Dividend		
Final scrip dividend - 2018 (Rs 11.25 per share)	-	(3,160,150)
Final cash dividend - 2018 (Rs 5.00 per share)	-	(1,404,511)
Final cash dividend - 2019 (Rs 11.75 per share)	(4,482,131)	-
Unappropriated balance carried forward	4,188,723	6,106,642
Proposed dividend		
Final cash dividend - 2019 (Rs 11.75 per share)	-	4,482,131
Final cash dividend - 2020 (Rs 8.25 per share)	3,147,028	-

12 TAXATION

Income tax rate applicable on the Bank's domestic operations and off-shore operations of the off-shore Banking Centre is 28% (2019: 28%). As per the announcement dated 12th February 2020, income tax rate applicable for the Banking sector has been reduced to 24% with effect from 1st January 2020. However, the said amendment is yet to be enacted. As such, the Bank continued using 28% in calculating both income tax and deferred tax liabilities/assets as at 31st December 2020 as this amendment was not substantially enacted by the end of the reporting period.

The Bank is also liable for VAT on financial services at 15% (2019: 15%).

The Bank paid NBT at 2% up to 30th November 2019 and was also liable for Debt Repayment Levy (DRL) at 7% up

to 31st December 2019. However with both NBT and the DRL abolished with effective from 1st December 2019 and 1st January 2020 respectively, the Bank was not liable for either one in 2020.

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).

13 DIVIDEND

The Directors have recommended a final Cash Dividend of Rs 8.25 per share for the financial year ended 31st December 2020, based on the number of shares in issue as at 15th February 2021 (381,457,985 shares) to be paid at a total cost of Rs 3,147,028,376.25. The said dividend is subject to approval of the shareholders at the Annual General Meeting to be held on 30th March 2021.

However, if the resolution on the proposed sub-division of shares (01:03) is approved by the shareholders at the Extra-ordinary General Meeting to be held on 17th March 2021 prior to the adoption of the final dividend resolution at the AGM, such final cash dividend shall be based on the new number of shares (1,144,373,955 shares) and would amount to Rs 2.75 per share. The total dividend will however remain at Rs 3,147,028,376.25.

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 Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the statutory provision.

Further details are given in Note 18 to the Financial Statements.

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14 RESERVES

A summary of the Group's reserves is given below.

As at 31st December	2020 Rs 000	2019 Rs 000
Statutory Reserve Fund	4,635,000	4,204,000
Revaluation Reserve	5,962,392	5,962,392
FVOCI Reserve	1,838,203	807,879
General Reserve	46,455,786	43,435,171
Retained Earnings	7,900,780	9,424,692
Non-controlling Interest	-	-
Total	66,792,161	63,834,134

15 CAPITAL EXPENDITURE

The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Group and the Bank amounted to Rs 1,643,024,000/- and Rs 677,694,000/- respectively (2019 Group: Rs 2,416,215,000/- and Bank: Rs 1,111,557,000/-). Details are given in Notes 29 and 30 to the Financial Statements.

16 CAPITAL COMMITMENTS

The capital expenditure approved and contracted for, as at the reporting date is given in Note 45.3 to the Financial Statements.

17 PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of property, plant and equipment are given on Note 29 to the Financial Statements.

18 MARKET VALUE OF FREEHOLD PROPERTIES

The Group applies Revaluation model given in Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) to the entire class of freehold lands and buildings. Such properties are revalued every three years or more frequently if the fair values are substantially different from the carrying values. Accordingly, all freehold lands and buildings of the Group were revalued as at the end of 2019 by professionally qualified independent valuers. The results of the revaluation were brought into the Financial Statements to ensure that the carrying amount of such properties reflects the market prices prevailed at that time. On the basis that changes in property prices were not significant compared to the previous year due to the prevailing market situation in the country, the Group did not revalue its freehold lands and buildings during this year for consolidated accounting purposes. The Directors are of the view that the previous year prices reflect the current market values of such properties as at 31st December 2020.

However, Sampath Centre Limited (a fully owned subsidiary of the Bank) which owns the property occupied by the Bank as its head office, carried out a revaluation on their property with the market values being taken in to their standalone financial statements prepared as at 31st December 2020, on the basis that such property is recognised as an Investment Property accounted under Fair Value model. There is no significant change between the previous year valuation and the current year valuation pertaining to this property.

19 STATED CAPITAL, DEBENTURES AND BONDS

19.1 Stated Capital - Bank

The Stated Capital of the Bank as at 31st December 2020 amounted to Rs 47,622,493,065.44 consisting of 381,457,985 ordinary voting shares (2019: Rs 47,622,493,065.44 consisting of 381,457,985 ordinary shares).

The details of the shares issued are given in Note 41.1 to the Financial Statements.

19.2 Debt Capital - Bank

The Bank has issued rated, unsecured, subordinated, redeemable debentures to the value of Rs 26,500,000,000/- as at 31st December 2020 (2019: Rs 33,500,000,000/-), which are listed on the Colombo Stock Exchange. Out of the above, the debentures issued in 2017, 2018 and 2019 to the value of Rs 20,500,000,000/- have an option for conversion to ordinary voting shares of the Bank, solely if instructed by the Central Bank of Sri Lanka to do so in compliance with Basel III requirements.

The details of the debentures outstanding as at 31st December 2020 are given in Note 37.1 to the Financial Statements. These debentures are eligible for the Tier II Capital of the Bank.

The Bank has issued a deep discounted zero coupon bond with a maturity value of Rs 3,458,108,968/- for 20 years. The present paid up value of this bond is Rs 2,758,032,000/- (2019: Rs 2,526,759,000/-) and this forms part of the Tier II Capital. The above Bond was issued in August 2003 and will mature in August 2023. The details are given in Note 37.2 to the Financial Statements.

19.3 Issue of Shares and Debt Capital - Subsidiaries

The Subsidiaries of the Bank did not make any share or debenture issues during the year other than those mentioned below. Siyapatha Finance PLC issued 2,899,663 ordinary voting shares by way of a scrip dividend during the year (2019: 625,111). As a result, its stated capital increased by Rs 142,959,197/- (2019: Rs 31,255,538/-) from Rs 1,379,921,654/- as at 31st December 2019 to Rs 1,522,880,851/- as at 31st December 2020. In December 2020, Sampath Bank made a capital infusion of Rs 700,000,000/- (2019: nil) to Siyapatha Finance PLC and as at the year end, it was pending for allotment. Accordingly, Siyapatha Finance PLC would allot 13,725,490 shares at the rate of Rs 51.00 per share against the aforementioned investment. Further, Siyapatha Finance PLC has issued Rs 2,000,000,000/- (2019: Rs 1,500,000,000/-) worth of debentures during the year under review. Sampath Centre Ltd too issued 283,767 ordinary voting shares by way of a scrip dividend during the year (2019: 310,686). As a result, its stated capital increased by Rs 35,391,402/- (2019: Rs 36,797,659/-) from Rs 418,833,159/- as at 31st December 2019 to Rs 454,224,561/- as at 31st December 2020. Sampath Information Technology Solutions (Pvt) Ltd also issued 589,381 ordinary voting shares by way of a scrip dividend during the year (2019: nil). As a result, its stated capital increased by Rs 18,747,121/- (2019: nil) from Rs 279,000,000/- as at 31st December 2019 to Rs 297,747,121/- as at 31st December 2020.

20 SHARE INFORMATION

Information relating to earnings, dividend, net assets and market value per share is given in the Financial Highlights on pages 10 and 11. Information on the trading of the shares and movement in the number of shares of the Bank is given in the Investor Information section on pages 96 to 105.

21 SHAREHOLDING

There were 26,163 registered ordinary shareholders as at 31st December 2020 (2019: 21,913). Information on the distribution of shareholding and the respective percentages are given on pages 97 to 99 of the Annual Report. Details of top twenty shareholders, percentages of their holdings and percentage holding of the public too are given in the Investor Information section on page 100.

22 EQUITABLE TREATMENT TO SHAREHOLDERS

The Bank has at all times ensured that all shareholders are treated equitably.

23 THE BOARD OF DIRECTORS

The Board of Directors of the Bank as at 31st December 2020 comprises twelve (2019: twelve) with wide financial and commercial knowledge and experience. The names of the Directors of the Bank during the period of 1st January 2020 to 31st December 2020 are given below as per Section 168 (1) (h) of the Companies Act. Their profiles in brief are given on pages 20 to 25 of the Annual Report. In accordance with the Listing Rules and Corporate Governance Rules of Colombo Stock Exchange and 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.

24 CHANGES IN DIRECTORATE

In terms of Section 168 (1) (h) of the Companies Act, the Bank has disclosed the names of the persons holding office as Directors of the Bank as at the end of the accounting period and the names of any persons who were appointed to hold office as Directors of the Bank during the accounting period. Mr Vajira Kulatilaka, Mr Harsha Amarasekara, Mrs Keshini Jayawardena and Mr Ajantha de Vas Gunasekara were appointed to the Board in 2020. Mr Sanjiva Senanayake, Mrs Saumya Amarasekara, Prof Malik Ranasinghe and Mrs Dhara Wijayatilake ceased to hold office as Directors of the Bank during the accounting period.

25 RETIREMENT AND RE-ELECTION/ RE-APPOINTMENT OF DIRECTORS

In terms of Articles No. 86 and 87 of the Articles of Association of the Company, Ms Aroshi Nanayakkara, Dr Sanjiva Weerawarana and Mr Deshal de Mel, 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.

During the year under review, Mr Vajira Kulatilaka, Mr Harsha Amarasekara, Mrs Keshini Jayawardena and Mr Ajantha de Vas Gunasekara having been appointed with effect from 25th June 2020, 18th August 2020, 1st October 2020 and 29th October 2020 respectively to fill-up the casual vacancies in the Board, offer themselves for election by the shareholders 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.

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.

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Name of the Director	Classification	Remarks
Mr Harsha Amarasekera	NID/NED	Director since 18.08.2020, Chairman since 30.08.2020
Mr Rushanka Silva	NID/NED	Director since 01.09.2017, Deputy Chairman since 24.09.2020
Mr Deshal de Mel	IND/NED	Independent Director from 01.01.2012 to 30.06.2017 and re-appointed since 26.09.2019. Senior Independent Director since 24.09.2020
Mr Dilip de S Wijeyeratne	IND/NED	Director since 13.11.2018, Independent Director since 08.08.2019
Ms Aroshi Nanayakkara	IND/NED	Director since 30.05.2019, Independent Director since 27.06.2019
Dr Sanjiva Weerawarana	IND/NED	Independent Director since 01.06.2019
Mr Vajira Kulatilaka	IND/NED	Independent Director since 25.06.2020
Mrs Keshini Jayawardena	IND/NED	Independent Director since 01.10.2020
Mr Nanda Fernando	ED	Managing Director since 13.09.2016
Mr Ajantha de Vas Gunasekara	ED	Executive Director since 29.10.2020
Ms Annika Senanayake	IND/NED	Independent Director since 01.01.2012. Retired w.e.f. 01.01.2021, having completed the term of nine (09) years as a Non-Executive Director.
Mr Ranil Pathirana	NID/NED	Director since 01.01.2012, Independent Director since 31.01.2015 and became a Non-Independent Director on 18.08.2020. Retired w.e.f. 01.01.2021, having completed the term of nine (09) years as a Non-Executive Director.
Prof Malik Ranasinghe	IND/NED	Independent Director since 30.08.2011, Deputy Chairman from 01.08.2016 to 01.04.2019, Chairman since 02.04.2019. Retired w.e.f. 30.08.2020, having completed the term of nine (09) years as a Non-Executive Director.
Mrs Dhara Wijayatilake	IND/NED	Independent Director since 30.08.2011. Retired w.e.f. 30.08.2020, having completed the term of nine (09) years as a Non-Executive Director.
Mrs Saumya Amarasekera	NID/NED	Director since 01.06.2012, Deputy Chairperson since 15.05.2019. Ceased to be a Director w.e.f. 02.06.2020 due to not offering herself to be re-elected as a Director of Bank at the 34th Annual General Meeting.
Mr Sanjiva Senanayake	IND/NED	Independent Director since 01.01.2012, Senior Director since 26.01.2012. Retired w.e.f. 12.04.2020, having reached his Seventieth (70th) birthday.

26 LIST OF DIRECTORS OF THE SUBSIDIARIES OF THE BANK

Names of the Directors of Subsidiary companies as at 31st December 2020 are as follows:

26.1 Siyapatha Finance PLC

Mr P S Cumarantunga (Chairman)
Mr R 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

26.2 Sampath Centre Limited

Mr I W Senanayake (Chairman)
Mr S G Wijesinha
Mr R Samaranayake
Mr S P Kannangara
Mr R Silva
Mr Prasanna De Silva

26.3 SC Securities (Private) Limited

Mr S G Wijesinha (Chairman)
Mr R Samaranayake
Mr S N Kulatilake
Mr W M P L De Alwis

26.4 Sampath Information Technology Solutions Limited

Mr R Samaranayake (Chairman)
Mr M V Indrasoma
Mr M A Salgado
Mr W S C Perera

27 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.

28 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 Board Sub Committees including four mandatory Board Sub Committees as required by the Banking Act Direction No. 11 of 2007 and one mandatory Board Sub Committee as required by Section 9 of the Listing Rules of the Colombo Stock Exchange. The composition of these five mandatory Board Sub Committees as at 31st December 2020 were as follows:

28.1 Board Audit Committee

Mr Dilip de S Wijeyeratne
(Chairman w.e.f. 01.04.2020)

Mr Ranil Pathirana
(until 31.12.2020)

Dr Sanjiva Weerawarana

Mr Deshal de Mel

Mrs Ranjani Joseph
(Consultant to the Committee)

28.2 Board Human Resources and Remuneration Committee

Ms Aroshi Nanayakkara
(Chairperson w.e.f. 30.08.2020)

Ms Annika Senanayake
(until 31.12.2020)

Mr Dilip de S Wijeyeratne

Mr Deshal de Mel

Mr Vajira Kulatilaka
(w.e.f. 31.07.2020)

28.3 Board Nomination Committee

Mr Deshal de Mel
(Chairman w.e.f. 01.01.2021)

Ms Annika Senanayake
(Chairperson until 31.12.2020)

Mr Rushanka Silva
(w.e.f. 01.05.2020)

Mr Harsha Amarasekara
(w.e.f. 24.09.2020)

(Mrs Keshini Jayawardena was appointed to the Committee w.e.f. 27.01.2021)

28.4 Board Integrated Risk Management Committee

Mr Deshal de Mel
(Chairman w.e.f. 12.04.2020)

Mr Dilip de S Wijeyeratne

Dr Sanjiva Weerawarana

Mr Nanda Fernando

28.5 Board Related Party Transactions Review Committee

Mr Vajira Kulatilaka
(Chairman w.e.f. 30.08.2020)

Mr Deshal de Mel

Dr Sanjiva Weerawarana
(w.e.f. 25.06.2020)

Mr Dilip de S Wijeyeratne
(w.e.f. 31.07.2020)

Apart from the above five mandatory Board Sub Committees, the Board has also appointed the following seven non-mandatory Board Sub Committees.

28.6 Board Credit Committee

Mr Vajira Kulatilaka
(Chairman w.e.f. 30.08.2020)

Mr Rushanka Silva

Ms Aroshi Nanayakkara

Mrs Keshini Jayawardena
(w.e.f. 01.10.2020)

Mr Nanda Fernando

Mr Janakan Selvaratnam
(Consultant to the Committee)

28.7 Board Strategic Planning Committee

Mr Harsha Amarasekara
(Chairman w.e.f. 30.08.2020)

Ms Annika Senanayake
(until 31.12.2020)

Mr Ranil Pathirana
(until 31.12.2020)

Mr Rushanka Silva

Mr Dilip de S Wijeyeratne

Ms Aroshi Nanayakkara

Dr Sanjiva Weerawarana

Mr Deshal de Mel

Mr Vajira Kulatilaka
(w.e.f. 25.06.2020)

Mrs Keshini Jayawardena
(w.e.f. 01.10.2020)

Mr Nanda Fernando

Mr Ajantha de Vas Gunasekara
(w.e.f. 11.11.2020)

28.8 Board Shareholder Relations Committee

Mr Rushanka Silva (Chairman)

Ms Aroshi Nanayakkara

Mr Deshal de Mel
(w.e.f. 25.06.2020)

Mrs Keshini Jayawardena
(w.e.f. 01.10.2020)

Mr Nanda Fernando

28.9 Board Treasury Committee

Mr Dilip de S Wijeyeratne
(Chairman w.e.f. 01.05.2020)

Mr Rushanka Silva

Ms Aroshi Nanayakkara

Mr Deshal de Mel
(w.e.f. 01.05.2020)

Mr Vajira Kulatilaka
(w.e.f. 25.06.2020)

Mr Nanda Fernando

28.10 Board Marketing Committee

Ms Aroshi Nanayakkara
(Chairperson w.e.f. 01.05.2020)

Ms Annika Senanayake
(until 31.12.2020)

Mr Rushanka Silva

Mr Deshal de Mel

Mr Harsha Amarasekara
(w.e.f. 24.09.2020)

Mr Nanda Fernando

28.11 Board IT Committee

Dr Sanjiva Weerawarana (Chairman)

Ms Annika Senanayake
(until 31.12.2020)

Mr Rushanka Silva

Ms Aroshi Nanayakkara

Mr Vajira Kulatilaka
(w.e.f. 31.07.2020)

Mrs Keshini Jayawardena
(w.e.f. 01.10.2020)

Mr Nanda Fernando

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28.12 Board Capital Planning Committee

Mr Rushanka Silva
(Chairman w.e.f. 30.08.2020)

Mr Ranil Pathirana
(until 31.12.2020)

Mr Dilip de S Wijeyeratne

Mr Vajira Kulatilaka
(w.e.f. 25.06.2020)

Mr Harsha Amarasekara
(w.e.f. 24.09.2020)

Mr Nanda Fernando

29 DIRECTORS' MEETINGS

The details of Directors' meetings which comprise Board meetings and the Board Sub Committee meetings and the attendance of Directors at these meetings are given in the Corporate Governance Report on page 121 of the Annual Report.

30 DIRECTORS' INTEREST REGISTER AND DIRECTORS' INTEREST IN CONTRACTS OR PROPOSED CONTRACTS

The Bank maintains the Directors' Interest Register as required under the provisions of Section 168(1)(e) of the Companies Act. 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 Interest Register which is available for inspection in terms of the Companies Act. The particulars of the Directors' Interest in Contracts are given on page 196 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. As a practice and in terms of Corporate Governance. Directors have refrained from voting on matters in which they were materially interested. The Directors have no direct or indirect interest in contracts or proposed contracts with the Bank other than those disclosed.

31 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 Disclosure) which is adopted in preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 46 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

The Bank has complied with the requirement of the Code of Best Practice 2017 issued by the Institute of Chartered Accountants of Sri Lanka, Listing Rules of Colombo Stock Exchange (CSE) and with all disclosure requirements stipulated thereunder.

32 DIRECTORS' INTEREST IN ORDINARY SHARES AND DEBENTURES

The shareholdings of Directors as at 31st December 2020 are as follows:

Name of Director	No. of Shares as at 31st December 2020	No. of Shares as at 31st December 2019
Mr Harsha Amarasekera	-	n/a
Mr Rushanka Silva	-	-
Mr Deshal de Mel	-	-
Mr Ranil Pathirana	24,456	24,456
Ms Annika Senanayake	-	-
Mr Dilip de S Wijeyeratne	-	-
Ms Aroshi Nanayakkara	-	-
Dr Sanjiva Weerawarana	-	-
Mr Vajira Kulatilaka	-	n/a
Mrs Keshini Jayawardena	-	n/a
Mr Nanda Fernando	572,996	572,996
Mr Ajantha de Vas Gunasekara	-	n/a

n/a - not applicable

Mr Vajira Kulatilaka holds 220,000 of Listed Rated Unsecured Subordinated Redeemable Debentures (2016/2021) issued by the Bank.

33 DIRECTORS' INTEREST IN SHARES AND DEBENTURES OF SUBSIDIARIES

Mr Rushanka Silva holds one share at Siyapatha Finance PLC.

34 DIRECTORS' REMUNERATION

As required under the Section 168 (1) (f) of the Companies Act, details of Directors' emoluments and other benefits paid in respect of the Group and the Bank during the financial year under review are given in Note 46.3.1 to the Financial Statements.

35 OUR TEAM MEMBERS

The Bank believes that its real potential rests on the strength and capabilities of its team members in a rapidly changing environment. All efforts are directed at having a motivated and competent team in order to grow and achieve results as projected in the Strategic Plan and the Budget. As at 31st December 2020, the number of employees on the payroll of the Bank was 4,048 (2019: 4,134).

36 ESOPs

The Bank did not initiate or establish any Employee Share Ownership/Option Plans during the year.

37 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.

38 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.

39 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. Details of litigation pending against the Bank are given in Note 45.5 to the Financial Statements.

40 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 in Note 48 to the Financial Statements.

41 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 in 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.

42 DONATIONS

As required by the Section 168 (1) (g) of the Companies Act, information pertaining to donations made by the Bank during the year are given below. During the year,

the Bank made donations to the value of Rs 9,702,000/- (2019: Rs 466,000/-) in terms of the resolution passed at the last Annual General Meeting. Out of the aforementioned sum, the donations made by the Bank to the Government amounted to Rs 9,402,000/- (2019: nil). The Bank does not make donations for political purposes.

43 SIGNIFICANT SHAREHOLDINGS IN OTHER ORGANISATIONS

The Bank continues to hold 9.47% shareholding in LankaBangla Finance Limited in Bangladesh. Details are given in Note 27.3 to the Financial Statements.

44 RISK MANAGEMENT AND INTERNAL CONTROL

44.1 Material Foreseeable Risk Factors

The Bank has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Bank. This process is detailed in the Risk Management Report on pages 108 to 116. The Directors, on a regular basis review the above mentioned process through the Board Integrated Risk Management Committee.

44.2 Internal Controls

The Directors of the Bank have taken reasonable steps to safeguard the assets of the Group and the Bank 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/ Group throughout the year and it is being regularly reviewed by the Board of Directors.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the 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.

45 CORPORATE GOVERNANCE

The Directors of the Bank are committed towards maintaining an effective Corporate Governance Framework and implementing processes required to ensure that the Bank is compliant with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017, the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the CBSL and Requirements of Section 7.6 of the Listing rules of the Colombo Stock Exchange. Details are given on Corporate Governance Report on pages 119 to 169 of this Annual 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 CBSL, the Board of Directors confirm that all the findings of the "Factual Findings Report" of auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in the annual Corporate Governance Report on pages 149 to 165 of this Annual Report. Further, as required by Section 3(8)(ii)(h) of the Banking Act Direction No. 11 of 2007 on Corporate

Governance for Licensed Commercial Banks, issued by the CBSL, the Board of Directors confirm that the Bank is compliant with prudential requirements, regulations, laws and internal controls and measures have been taken to rectify any material non-compliances.

46 AUDITORS

The Auditors of the Bank during the year were Messrs Ernst & Young, Chartered Accountants. They also function as the Auditors for the Bank's Subsidiary companies namely, Siyapatha Finance PLC, Sampath Centre Limited, SC Securities (Private) Limited and Sampath Information Technology Solutions Limited. Audit fees paid to Messrs Ernst & Young for the year ended 31st December 2020 by the Group and the Bank amounted to Rs 14,513,000/- (2019: Rs 14,513,000/-) and Rs 11,660,000/- (2019: Rs 11,660,000/-) respectively.

Further, the Group and the Bank paid Rs 4,825,000/- (2019: Rs 8,614,000/-) and Rs 3,152,000/- (2019: Rs 7,215,000/-) respectively to Messrs Ernst & Young as audit related fees and expenses. In addition, they were paid Rs 16,754,000/- (2019: Rs 18,632,000/-) and Rs 12,648,000/- (2019: Rs 17,212,000/-) by the Group and the Bank respectively for permitted non-audit related services including tax consultancy services. Details of the audit fees paid are given on Note 15.1 to the Financial Statements.

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.

47 POSTPONEMENT OF THE 34TH ANNUAL GENERAL MEETING

Due to the impact of COVID-19 pandemic, the Board of Directors of the Bank decided to postpone the 34th Annual General Meeting (AGM) which was scheduled to be held on 30th March 2020. Accordingly, the 34th AGM was held on the 02nd June 2020 at the Board Room of the Bank's Head Office premises, in accordance with the guidelines issued by the Colombo Stock Exchange on convening of virtual AGMs as well as the guidelines issued by the Ministry of Health to prevent the spread of COVID-19.

Sampath Bank became the first local corporate entity to host a fully-fledged virtual AGM. The 34th AGM was live streamed from the Bank's Head Office to shareholders without any disruptions, via the "Zoom" video communications platform. To encourage shareholder participation in the virtual AGM, the Bank also leveraged technology to allow 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. Reiterating the Bank's commitment to its shareholders in times of crisis, the Board expedited the payment of the final cash dividend of Rs 11.75 per ordinary share which was also approved at the AGM. The total dividend amounting to Rs 4.5 Bn was paid in June 2020.

48 NOTICE OF MEETING

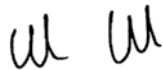
The 35th Annual General Meeting of Sampath Bank PLC will be held at the "Board Room" of the Bank on 4th Floor, Sampath Bank PLC, at No. 110, Sir James Peiris Mawatha, Colombo 02 to be convened through an "online virtual" platform by using "audio-visual" tools on 30th March 2021.

As required by Section 168(1)(k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this report.

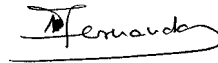
For and on behalf of the Board of Directors,



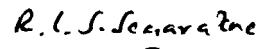
HARSHA AMARASEKERA
Chairman



DESHAL DE MEL
Senior Independent Director



NANDA FERNANDO
Managing Director



LASANTHA SENARATNE
Company Secretary

Colombo, Sri Lanka
15th February 2021

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 46 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 2020	Balance Outstanding as at 31st December 2019
			Rs 000	Rs 000	Rs 000
Mr Nanda Fernando					
Institute of Bankers of Sri Lanka	Director	Deposits		339,319	481
Mr Harsha Amarasekera					
Vallibel One PLC	Non Executive Director	Deposits		332	n/a
		Loans & advances	500,000	1,328	n/a
CIC Agri Business (Pvt) Ltd	Non Executive Chairman	Deposits		3,254	n/a
		Loans & advances	2,520,000	660,000	n/a
		Indirect facilities		185,763	n/a
CIC Holdings PLC	Non Executive Chairman	Deposits		43,617	n/a
		Loans & advances	1,500,000	1,000,000	n/a
		Indirect facilities		-	n/a
Link Natural Products (Pvt) Ltd	Non Executive Director	Deposits		951	n/a
Millennium Airlines (Pvt) Ltd	Non Executive Director	Deposits		106	n/a
Ms Annika Senanayake					
IWS Aviation (Pvt) Ltd	Alternate Director	Deposits		61	5,025
Mr Ranil Pathirana					
Windforce (Pvt) Ltd	Non Executive Director	Deposits		53,767	51,508
		Indirect facilities	30,000	30,000	105,000
Star Packaging (Pvt) Ltd	Non Executive Director	Loans & advances	584,000	114,408	21,669
		Deposits		72	87
		Indirect facilities	200,000	78,810	91,551
Alumex PLC	Non Executive Director	Loans & advances	72,000	22,000	36,734
		Deposits		8,181	8,370
		Indirect facilities	270,000	8,514	127,691
ODEL PLC	Non Executive Director	Loans & advances	150,000	126,431	133,846
		Deposits		204	2,324
		Indirect facilities	75,000	13,174	62,707
Rosewood (Pvt) Ltd	Non Executive Director	Deposits		21	889
Ceylon Knit Trend (Pvt) Ltd	Director	Deposits		18,177	226,206
HI Fashion Holdings (Pvt) Ltd	Director	Deposits		535	523
		Loans & advances	20,675	20,675	12,728
		Indirect facilities	57,758	-	-
Renewgen (Pvt) Ltd	Non Executive Director	Deposits		875	2,945
		Loans & advances	9,200	3,701	5,529
Beira Brush (Pvt) Ltd	Non Executive Director	Deposits		1,673	n/a
		Loans & advances	278,250	92,750	n/a
BPPL Holdings PLC	Non Executive Director	Deposits		16	n/a
Mr Rushanka Silva					
Indra Motor Spares (Pvt) Ltd	Director	Deposits		11	15
Indra Property Development (Pvt) Ltd	Director	Deposits		157	158
Mr Dilip de S Wijeyeratne					
Singer (Sri Lanka) PLC	Independent Non Executive Director	Loans & advances	3,300,000	2,576,133	4,670,499
		Indirect facilities	1,600,000	1,104,963	729,381
Regnis (Lanka) PLC	Independent Non Executive Director	Loans & advances	350,000	142,094	4,285
		Indirect facilities		161,728	13,402
Ms Aroshi Nanayakkara					
Foundation Garments (Pvt) Ltd	Non Executive Director	Deposits		46,812	19,508
		Loans & advances	1,364,310	1,307,049	1,333,633
Hela Apparel Holdings (Pvt) Ltd	Non Executive Director	Deposits		790	7,059
Hela Clothing (Pvt) Ltd	Non Executive Director	Deposits		54,714	4,016
		Loans & advances	371,000	294,945	317,362
FDN Sourcing (Pvt) Ltd	Non Executive Director	Deposits		3,378	2,731
Dr Sanjiva Weerawarana					
Lanka Software Foundation	Director	Deposits		2,960	829
Mr Deshal de Mel					
Verite Research	Research Director	Deposits		1,902	14,176
Mr Vajira Kulatilaka					
Printcare PLC	Independent Non Executive Director	Deposits		85	n/a

n/a - not applicable

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.

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 and this process includes enhancing the system of Internal Control Over Financial Reporting, in line with 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 procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The process is regularly reviewed by the Board and is in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by CA Sri Lanka.

In 2020, the Board has assessed the Internal Control Over Financial Reporting, taking into account, principles for the assessment of the internal control system as given in the said guidance. Based on this assessment, the Board is of the view that the system of Internal Control Over Financial Reporting currently in place, is sound and adequate to provide reasonable assurance regarding

the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND 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 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. Audits are carried out on all units and branches, to provide an independent and objective report. The frequency of these audits are determined by the level of risk assessed. The Internal Audit Department also conducts data analysis on certain selected processes of the Bank using Computer Aided Audit Techniques/ Tools (CAAT) covering the entire Branch Network. Through this initiative, all controls were tested on an ongoing basis. All significant findings identified by the Internal Audit Department are 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 are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report on pages 170 to 172.

- In assessing the Internal Control Over Financial Reporting, identified officers of the Bank were assigned to collate all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Bank. These in turn, are checked and verified by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis. The Internal Audit Department also refers significant issues (if any) to the "Internal Control Over Financial Reporting Steering Committee" before submitting their final report on Internal Control Over Financial Reporting to the Board Audit Committee and the External Auditors. Sampath Bank adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. The processes and procedures initially applied to adopt the aforementioned Accounting Standards were further strengthened during the years 2013 to 2020 based on the feedback received from the External Auditors, Internal Audit Department, Regulators and the Board Audit Committee. The Bank has documented procedures pertaining to these new requirements in order to update the relevant procedure manuals as and when necessary. The Board has also recognised the need to introduce an automated financial

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

reporting process in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently. The Bank successfully implemented Robotic Process Automation (RPA) in 2019 which has eliminated manual intervention in calculating impairment provisions to a great extent. Further, the Credit Risk Management Unit independently reviews the Individually Significant loan impairment process at each reporting date. The Management continues to review various options available to increase the degree of automation in the financial reporting process. The assessment does not include subsidiary companies of the Bank.

- In 2020, the Bank further strengthened its internal control processes to ensure that the impact of the COVID-19 debt moratorium on interest income and impairment provisions were accurately captured in the financial reporting. The

Management also ensured that all critical reconciliations were performed without interruption during the lockdown periods.

- To ensure business continuity, protect workers and continue to serve customers during the COVID-19 pandemic, the Bank had to move certain areas of its operations online. However, this was done with all required safeguards in place to protect the Bank and its customers.
- The comments made by the External Auditors in connection with Internal Control System Over Financial Reporting in previous years, were reviewed during the year and appropriate steps were taken in 2020 to address any matters raised. The recommendations made by the External Auditors in 2020 in connection with the Internal Control System Over Financial Reporting will be dealt with in the future.

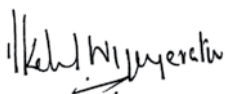
CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Bank is competent to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and confirm that it is 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 2020, 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 Internal Control Over Financial Reporting. Their Report on the Statement of Internal Control Over Financial Reporting is given on page 199 of this Annual Report.

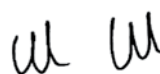
By order of the Board,



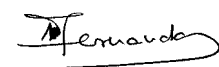
DILIP DE S WIJYERATNE
Chairman - Board Audit Committee



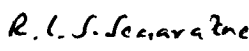
HARSHA AMARASEKERA
Chairman



DESHAL DE MEL
Senior Independent Director



NANDA FERNANDO
Managing Director



LASANTHA SENARATNE
Company Secretary

15th February 2021

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SAMPATH BANK PLC



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

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 2020.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with 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 the 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.

15 February 2021
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

MANAGING DIRECTOR'S AND GROUP CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

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 2020 are prepared in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 7 of 2007 (Companies Act),
- 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) and
- 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 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. 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.

The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is 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 recognised in weighing the assurances provided by any system of internal controls and accounting.

We confirm compliance 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 as of 31st December 2020 and that the Bank's Internal Controls Over Financial Reporting is adequate and effective. The Annual Report of the Directors on pages 185 to 196 has briefly covered the Group's Internal Control Over Financial Reporting. In addition, Directors' Statement on Internal Control Over Financial Reporting is provided on pages 197 and 198. 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 199 of this Annual Report.

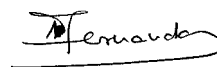
The Financial Statements of the Group were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on pages 203 to 207 of this Annual Report. The Board Audit Committee of the Bank meets periodically with the Internal Auditors

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 issues. 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 170 to 172.

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 are no material litigation that are 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/
Group Chief Financial Officer

Colombo, Sri Lanka
15th February 2021

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 Auditors given on pages 203 to 207.

As per the provisions of the Companies Act No. 7 of 2007 (Companies Act), the Directors of the Bank are responsible for ensuring that the Bank and the Group keep proper books of account of all the transactions and they are required to 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 place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at end of the financial year, the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Cash Flows, 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/ Group Chief Financial Officer who is a senior member of the Corporate Management as well as 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:

1. The state of affairs of the Bank and the Group as at 31st December 2020 and
2. The financial performance of the Bank and the Group for the financial year ended 31st December 2020.

The Financial Statements of the Bank and the Group have been certified by Executive Director/Group Chief Financial Officer, the officer responsible for their preparation, as required by the Companies Act. The accounts have been circulated and reviewed by the Board Audit Committee and 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. In preparing these Financial Statements, the Directors ensure that:

1. The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
2. The Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of account;
3. Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected;
4. The Financial Statements provide the information required by the Companies Act, Banking Act No. 30 of 1988 (Banking Act) and the Listing Rules of the Colombo Stock Exchange.
5. The companies within the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

The Directors ensure that the Bank and the Group have adequate resources to continue in operation and to justify applying the Going Concern basis in preparing these Financial Statements.

Financial Statements for the year 2020, prepared and presented in this Annual Report are consistent with the underlying books of account and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, 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. Directors

confirm that the financial reporting system 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 208 to 343, appropriate accounting policies have been selected and applied based on the new financial reporting framework on a consistent basis, 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 account and review the financial reporting system directly at their regular meetings and also through the Board Audit Committee. The Report of the Board Audit Committee is given on pages 170 to 172. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee.

The Directors have taken all reasonable steps open 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 and is under regular review of the Board of Directors. This comprises internal reviews, Internal Audit and the whole system of financial and other controls required to carry on the 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, the Directors have

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

concluded that, as of 31st December 2020, 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 197 and 198 and pages 185 to 196 respectively of this Annual Report. The External Auditors' Independent Assurance Report on the "Directors' Statement on Internal Control Over Financial Reporting" is given on page 199 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 and confirm that the Bank satisfies the Solvency Test as required by Section 57 of the Companies Act. The Directors have also obtained the Certificates of Solvency from the External Auditors of the Bank, Messrs Ernst & Young.

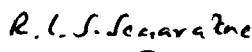
Messrs Ernst & Young, Chartered Accountants, the External Auditors of the Bank were provided with every opportunity to undertake the inspections they considered appropriate. They have examined the Financial Statements made available to them by the Directors together with all financial records, related data, minutes of the Shareholders' Meetings, Directors' Meetings, Board Audit Committee Meetings and other Board Sub Committee Meetings and expressed their opinion as reported by them in the Annual Report on pages 203 to 207.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the 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, resulting in material loss to the Bank. The Directors also confirm that the Bank will have adequate resources to continue in operational existence and 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,



LASANTHA SENARATNE
Company Secretary

Colombo, Sri Lanka
15th February 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



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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 2020, 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 2020, 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
<p>Impairment allowance for Loans and Advances carried at amortised cost</p> <p>Loans and advances amounting to LKR 794,080 Million (Note 25), net of impairment allowance of LKR 41,642 Million (Note 25) and represents 65.4% of total assets of the Group as at 31 December 2020.</p> <p>As described in Note 3.4.6, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments (SLFRS 9).</p>	<p>We assessed the alignment of the Group's impairment computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> • We evaluated the design, implementation and operating effectiveness of controls where relevant over estimation of impairment of loans and advances, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. • We checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records. • We test-checked the underlying calculations. • In addition to the above, the following focused procedures were performed:

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



Key audit matter	How our audit addressed the key audit matter
<p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> materiality of the reported provision for credit impairment which involved complex calculations; and the degree of assumptions, judgements and estimation uncertainty associated with the calculations. <p>Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following:</p> <ul style="list-style-type: none"> the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Group); the determination on whether or not customer contracts have been substantially modified due to such COVID-19 related stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances; and forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses. 	<p>For a sample of loans and advances individually assessed for impairment:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and Evaluating the reasonableness of the provisions made with particular focus on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows. <p>For loans and advances collectively assessed for impairment:</p> <ul style="list-style-type: none"> Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic; and Involving our internal IT specialists to assist us in assessing the design and operating effectiveness of relevant controls relating to automated Impairment calculations. <p>For loans and advances affected by government stimulus and debt moratorium relief measures granted:</p> <ul style="list-style-type: none"> Assessing the appropriateness of judgements, reasonableness of calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications; and Evaluating the reasonableness of the interest income recognized on such affected loans and advances. <ul style="list-style-type: none"> We assessed the adequacy of the related financial statement disclosures as set out in Note 25.



Key audit matter	How our audit addressed the key audit matter
<p>Bank's financial reporting process and related IT systems and controls</p> <p>The Bank uses multiple IT systems in its operations. The COVID-19 pandemic necessitated the Bank to adapt various operating processes and procedures including modification of relevant controls to mitigate the resulting risks.</p> <p>IT systems and controls relevant to financial reporting was a key audit matter due to:</p> <ul style="list-style-type: none"> • A changed working environment of increased remote access; • The Bank's financial reporting process being heavily dependent on information derived from its IT systems; and • Key financial statement disclosures involving the use of multiple system – generated reports, collation and spreadsheet – based calculations. 	<p>Our audit procedures included the following, amongst others:</p> <ul style="list-style-type: none"> • Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access; • Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and collation of required information in calculating the significant information for financial statements disclosures; • Checking the source data of the reports used to generate significant disclosures for accuracy and completeness; • Checking the underlying calculations and the reasonableness of classifications made by management; and • Evaluating the management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant.

Other information included in the 2020 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional 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 internal controls of the Bank and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

15 February 2021
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajjewanani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

For the year ended 31st December	Note	Bank			Group		
		2020 Rs 000	2019 Rs 000	Change %	2020 Rs 000	2019 Rs 000	Change %
Gross income	6	102,338,976	118,854,549	(13.9)	109,207,964	125,920,522	(13.3)
Interest income		88,628,336	103,566,877	(14.4)	94,647,361	109,855,396	(13.8)
Less: Interest expense		54,804,918	61,991,672	(11.6)	57,820,028	65,091,626	(11.2)
Net interest income	7	33,823,418	41,575,205	(18.6)	36,827,333	44,763,770	(17.7)
Fee & commission income		9,775,379	11,719,108	(16.6)	10,270,563	12,076,208	(15.0)
Less: Fee & commission expense		1,320,583	1,686,195	(21.7)	1,321,437	1,687,526	(21.7)
Net fee & commission income	8	8,454,796	10,032,913	(15.7)	8,949,126	10,388,682	(13.9)
Net gain from trading	9	24,787	2,205,878	(98.9)	24,787	2,205,878	(98.9)
Net gain on derecognition of financial assets	10	423,814	113,670	272.8	423,814	113,670	272.8
Net other operating income	11	3,486,660	1,249,016	179.2	3,841,439	1,669,370	130.1
Total operating income		46,213,475	55,176,682	(16.2)	50,066,499	59,141,370	(15.3)
Less: Impairment charge	12	11,782,701	12,573,025	(6.3)	13,200,926	13,750,577	(4.0)
Net operating income		34,430,774	42,603,657	(19.2)	36,865,573	45,390,793	(18.8)
Less: Operating expenses							
Personnel expenses	13	10,233,008	9,718,692	5.3	11,227,349	10,584,800	6.1
Depreciation & amortisation expenses	14	2,454,105	2,434,058	0.8	2,518,453	2,525,505	(0.3)
Other operating expenses	15	7,408,346	8,213,018	(9.8)	7,835,911	8,790,259	(10.9)
Total operating expenses		20,095,459	20,365,768	(1.3)	21,581,713	21,900,564	(1.5)
Operating profit before taxes on financial services		14,335,315	22,237,889	(35.5)	15,283,860	23,490,229	(34.9)
Less: Taxes on financial services							
Value added tax		3,163,428	4,042,368	(21.7)	3,394,281	4,280,529	(20.7)
Nation building tax		-	493,352	(100.0)	-	527,494	(100.0)
Debt repayment levy		-	2,203,939	(100.0)	-	2,343,821	(100.0)
Profit before income tax		11,171,887	15,498,230	(27.9)	11,889,579	16,338,385	(27.2)
Less: Income tax expense	16	3,146,740	4,347,343	(27.6)	3,447,063	4,670,195	(26.2)
Profit for the year		8,025,147	11,150,887	(28.0)	8,442,516	11,668,190	(27.6)
Attributable to:							
Equity holders of the Bank		8,025,147	11,150,887	(28.0)	8,442,516	11,668,190	(27.6)
Non-controlling interest		-	-	-	-	-	-
		8,025,147	11,150,887	(28.0)	8,442,516	11,668,190	(27.6)
Earnings per share: Basic/Diluted (Rs)	17	21.04	32.84	(35.9)	22.13	34.36	(35.6)
Dividend per share	18						
Dividend per share: Gross (Rs)		8.25*	11.75				

* Based on proposed dividend which is to be approved at the Annual General Meeting and the number of shares in issue as at 15th February 2021.

The Notes to the Financial Statements from pages 216 to 343 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Bank			Group		
	2020 Rs 000	2019 Rs 000	Change %	2020 Rs 000	2019 Rs 000	Change %
Profit for the year	8,025,147	11,150,887	(28.0)	8,442,516	11,668,190	(27.6)
Other comprehensive income						
Items that will be reclassified to profit or loss:						
Debt instruments at fair value through other comprehensive income:						
(Loss)/gain arising on re-measurement	(8,030)	87,713	(109.2)	(8,030)	87,713	(109.2)
Reclassification to profit or loss	(179,418)	(16,842)	(965.3)	(179,418)	(16,842)	(965.3)
Changes in impairment for expected credit losses	19,527	-	100.0	19,527	-	100.0
Deferred tax effect on the above	47,018	(19,844)	336.9	47,018	(19,844)	336.9
Net other comprehensive income to be reclassified to profit or loss	(120,903)	51,027	(336.9)	(120,903)	51,027	(336.9)
Items that will not be reclassified to profit or loss:						
Equity instruments at fair value through other comprehensive income:						
Gain/(loss) arising on re-measurement	1,555,933	(552,306)	381.7	1,555,933	(552,306)	381.7
Exchange difference in translation	42,994	(8,685)	595.0	42,994	(8,685)	595.0
Deferred tax effect on the above	(447,700)	157,078	(385.0)	(447,700)	157,078	(385.0)
	1,151,227	(403,913)	385.0	1,151,227	(403,913)	385.0
Actuarial loss on defined benefit plans	(2,848,521)	(1,462,814)	(94.7)	(2,851,802)	(1,480,165)	(92.7)
Deferred tax effect on the above	797,586	409,588	94.7	798,505	414,447	92.7
	(2,050,935)	(1,053,226)	(94.7)	(2,053,297)	(1,065,718)	(92.7)
Surplus from revaluation of property, plant & equipment	-	811,874	(100.0)	-	1,207,274	(100.0)
Deferred tax effect on the above	-	(227,325)	100.0	-	(338,037)	100.0
	-	584,549	(100.0)	-	869,237	(100.0)
Net other comprehensive income not to be reclassified to profit or loss	(899,708)	(872,590)	(3.1)	(902,070)	(600,394)	(50.2)
Other comprehensive income net of tax	(1,020,611)	(821,563)	(24.2)	(1,022,973)	(549,367)	(86.2)
Total comprehensive income for the year net of tax	7,004,536	10,329,324	(32.2)	7,419,543	11,118,823	(33.3)
Attributable to:						
Equity holders of the Bank	7,004,536	10,329,324	(32.2)	7,419,543	11,118,823	(33.3)
Non - controlling interest	-	-	-	-	-	-
	7,004,536	10,329,324	(32.2)	7,419,543	11,118,823	(33.3)

The Notes to the Financial Statements from pages 216 to 343 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Bank			Group		
		2020 Rs 000	2019 Rs 000	Change %	2020 Rs 000	2019 Rs 000	Change %
ASSETS							
Cash & cash equivalents	20	29,053,585	17,789,176	63.3	29,218,921	17,977,598	62.5
Balances with Central Bank of Sri Lanka	21	13,335,178	31,028,270	(57.0)	13,335,178	31,028,270	(57.0)
Placements with banks	22	3,228,166	7,251,305	(55.5)	3,228,166	7,251,305	(55.5)
Reverse repurchase agreements		4,450,557	-	100.0	6,231,719	2,304,392	170.4
Derivative financial instruments	23	2,186,515	862,754	153.4	2,186,515	862,754	153.4
Financial assets recognised through profit or loss - measured at fair value	24	9,313,628	11,130,230	(16.3)	9,313,628	11,130,230	(16.3)
Financial assets at amortised cost							
- loans & advances	25	720,215,247	689,377,504	4.5	752,437,782	719,046,634	4.6
- debt & other instruments	26	275,091,572	156,293,495	76.0	275,125,717	156,308,796	76.0
Financial assets - fair value through other comprehensive income	27	24,237,803	17,331,724	39.8	24,237,859	17,331,780	39.8
Investment in subsidiaries	28	3,350,774	2,394,701	39.9	-	-	-
Property, plant & equipment	29	8,126,285	8,466,366	(4.0)	15,891,415	15,702,051	1.2
Intangible assets	30	753,615	995,137	(24.3)	791,689	1,055,341	(25.0)
Right-of-use assets	31	3,280,166	4,059,219	(19.2)	2,905,661	3,208,266	(9.4)
Current tax receivables	39	-	-	-	42,883	46,246	(7.3)
Deferred tax assets	32	4,634,040	3,737,512	24.0	4,653,496	3,738,064	24.5
Other assets	33	9,013,993	11,633,105	(22.5)	10,084,799	12,331,379	(18.2)
Total Assets		1,110,271,124	962,350,498	15.4	1,149,685,428	999,323,106	15.0
LIABILITIES							
Due to banks	34	1,522,402	1,511,665	0.7	1,523,333	1,567,974	(2.8)
Derivative financial instruments	23	2,030,947	604,069	236.2	2,030,947	604,069	236.2
Securities sold under repurchase agreements		3,399,896	16,398,511	(79.3)	2,306,896	16,384,511	(85.9)
Financial liabilities at amortised cost							
- due to depositors	35	885,724,901	717,250,492	23.5	902,498,739	730,189,642	23.6
- due to other borrowers	36	49,052,595	55,661,729	(11.9)	56,871,506	67,311,166	(15.5)
- due to debt securities holders	37	30,790,007	37,642,049	(18.2)	37,078,483	41,371,586	(10.4)
Retirement benefit obligation	38	6,871,592	3,651,642	88.2	6,988,658	3,741,781	86.8
Dividend payable		121,270	88,898	36.4	121,270	88,898	36.4
Current tax liabilities	39	4,674,756	7,427,315	(37.1)	4,792,904	7,835,445	(38.8)
Deferred tax liabilities	32	-	-	-	1,485,302	1,405,568	5.7
Other liabilities	40	18,533,954	17,108,344	8.3	19,572,736	17,365,839	12.7
Total Liabilities		1,002,722,320	857,344,714	17.0	1,035,270,774	887,866,479	16.6

As at 31st December	Note	Bank			Group		
		2020 Rs 000	2019 Rs 000	Change %	2020 Rs 000	2019 Rs 000	Change %
EQUITY							
Stated capital	41	47,622,493	47,622,493	-	47,622,493	47,622,493	-
Reserves							
Statutory reserve fund	42	4,450,000	4,040,000	10.1	4,635,000	4,204,000	10.3
Other reserves	43	51,287,588	47,236,649	8.6	54,256,381	50,205,442	8.1
Retained earnings	44	4,188,723	6,106,642	(31.4)	7,900,780	9,424,692	(16.2)
Total equity attributable to equity holders of the Bank		107,548,804	105,005,784	2.4	114,414,654	111,456,627	2.7
Non - controlling interest					-	-	-
Total Equity		107,548,804	105,005,784	2.4	114,414,654	111,456,627	2.7
Total Liabilities & Equity		1,110,271,124	962,350,498	15.4	1,149,685,428	999,323,106	15.0
Commitments & contingencies	45	482,405,749	391,416,500	23.2	477,967,519	388,639,429	23.0
Net asset value per share (Rs)		281.94	275.27	2.4	299.94	292.19	2.7

The Notes to the Financial Statements from pages 216 to 343 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/Group Chief Financial Officer

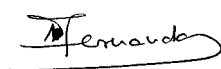
The Board of Directors is responsible for these Financial Statements.

Approved and signed for and on behalf of the Board,



HARSHA AMARASEKERA

Chairman



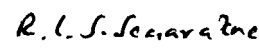
NANDA FERNANDO

Managing Director



RUSHANKA SILVA

Deputy Chairman



LASANTHA SENARATNE

Company Secretary

15th February 2021

Colombo, Sri Lanka

STATEMENT OF CASH FLOWS

For the year ended 31st December	Note	Bank		Group	
		2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Cash flows from operating activities					
Interest receipts		74,588,809	99,816,346	80,545,049	105,903,621
Interest payments		(55,753,681)	(59,679,503)	(58,652,321)	(62,469,606)
Net commission receipts		8,393,149	10,016,609	8,887,479	10,372,378
Cash payments to employees		(8,798,333)	(9,062,204)	(9,764,068)	(9,906,835)
Taxes on financial services		(3,335,901)	(5,906,572)	(3,566,754)	(6,298,903)
Receipts from other operating activities		3,167,486	1,043,986	3,722,591	1,531,652
Cash payments to other operating activities		(7,290,842)	(8,093,014)	(7,451,105)	(7,658,963)
Operating profit before changes in operating assets & liabilities (Note A)		10,970,687	28,135,648	13,720,871	31,473,344
(Increase)/decrease in operating assets					
Balances with Central Bank of Sri Lanka		17,693,092	5,529,506	17,693,092	5,529,506
Financial assets at amortised cost - loans & advances		(27,967,061)	(49,261,408)	(31,806,939)	(52,355,440)
Other assets		(2,787,091)	(1,648,853)	(3,184,906)	(1,668,901)
		(13,061,060)	(45,380,755)	(17,298,753)	(48,494,835)
Increase/(decrease) in operating liabilities					
Due to banks		98,077	(6,627,063)	98,077	(6,627,063)
Re-purchase agreements		(12,987,979)	2,630,836	(14,066,979)	2,639,569
Financial liabilities at amortised cost - due to depositors		169,317,597	25,514,388	173,112,538	28,839,461
Financial liabilities at amortised cost - due to other borrowers		(6,360,854)	2,404,454	(10,156,274)	2,302,019
Other liabilities		1,385,374	(564,551)	1,503,883	(1,196,379)
		151,452,215	23,358,064	150,491,245	25,957,607
Net cash generated from operating activities before income tax		149,361,842	6,112,957	146,913,363	8,936,116
Income tax paid	39.1	(6,398,923)	(8,889,568)	(6,924,116)	(9,206,326)
Net cash generated from/(used in) operating activities		142,962,919	(2,776,611)	139,989,247	(270,210)
Cash flows from investing activities					
Purchase of property, plant & equipment		(478,387)	(864,047)	(1,441,076)	(2,167,541)
Proceeds from disposal of property plant & equipment		3,465	3,349	5,110	11,174
Net cash flow from reverse repurchase agreements		(4,450,000)	500,000	(3,926,770)	(45,664)
Net cash flow from financial assets - FVPL		2,187,141	16,849,090	2,187,141	16,849,090
Net cash flow from debt instruments at amortised cost		(114,313,448)	(34,574,683)	(114,332,293)	(34,585,665)
Net cash flow from financial assets - FVOCI		(5,185,084)	9,720,054	(5,185,084)	9,720,054
Purchase of intangible assets	30	(199,307)	(247,510)	(201,948)	(248,674)
Dividend received from financial assets		66,529	140,150	66,849	140,391
Dividend received from subsidiaries		4,828	-	-	-
Investment in subsidiaries		(700,000)	-	-	-
Net cash used in from investing activities		(123,064,263)	(8,473,597)	(122,828,071)	(10,326,835)
Cash flows from financing activities					
Proceeds from the issue of debentures	37.1	-	7,000,000	2,000,000	8,500,000
Redemption of debentures	37.1	(7,000,000)	(7,000,000)	(7,000,000)	(9,421,990)
Proceeds from securitisation		-	-	447,110	-
Rights issue	41	-	12,104,933	-	12,104,933
Dividend paid		(4,482,131)	(1,843,053)	(4,482,131)	(1,843,053)
Repayment of principal portion of lease liabilities		(1,065,454)	(1,042,649)	(742,788)	(744,606)
Net cash (used in)/generated from financing activities		(12,547,585)	9,219,231	(9,777,809)	8,595,284
Net cash generated/(used) during the year		7,351,071	(2,030,977)	7,383,367	(2,001,761)
Cash & cash equivalents at the beginning of the year		24,593,341	26,624,318	24,725,465	26,727,226
Cash & cash equivalents at the end of the year (Note B)		31,944,412	24,593,341	32,108,832	24,725,465

The Notes to the Financial Statements from pages 216 to 343 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	
		2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Profit before income tax		11,171,887	15,498,230	11,889,579	16,338,385
Interest income accrued on impaired loans & advances	7.1	(3,333,638)	(2,809,924)	(3,348,278)	(2,894,134)
Net (gain)/loss from trading	9				
Forward exchange contract revaluation loss/(gain)		103,117	(2,039,967)	103,117	(2,039,967)
Net mark to market gain - government & equity securities		(123,145)	(161,217)	(123,145)	(161,217)
Dividend income		(4,759)	(4,694)	(4,759)	(4,694)
Net gain on derecognition of financial assets	10				
Financial assets FVPL		(243,977)	(94,130)	(243,977)	(94,130)
Financial assets FVOCI		(179,418)	(16,842)	(179,418)	(16,842)
Debt & other instruments		(419)	(2,698)	(419)	(2,698)
Net other operating income	11				
Dividend income from financial assets FVOCI		(118,497)	(139,183)	(118,817)	(139,424)
Dividend income from subsidiaries		(201,926)	(68,053)	-	-
Loss/(profit) on disposal of property, plant & equipment		1,249	2,206	(31)	1,706
Net impairment charge	12	11,782,701	12,573,025	13,200,926	13,750,577
Personnel expenses					
Provision for gratuity & pension	13	827,262	696,214	855,867	717,692
Other non-cash personnel expenses		312,296	324,712	312,297	333,868
Depreciation & amortisation expenses	14				
Depreciation of property, plant & equipment		812,854	779,064	1,245,729	1,237,155
Amortisation of intangible assets		440,811	389,795	465,582	414,287
Amortisation of right-of-use assets		1,200,440	1,265,199	807,142	874,063
Accrual for interest & commission income		(12,749,960)	(1,813,561)	(12,798,105)	(1,930,595)
Accrual for interest expense		(948,763)	2,312,170	(832,293)	2,622,019
Other accruals & non-cash income/expense		2,222,572	1,445,302	2,489,874	2,467,293
Operating profit before changes in operating assets/liabilities		10,970,687	28,135,648	13,720,871	31,473,344

NOTE (B) RECONCILIATION OF CASH & CASH EQUIVALENTS

As at 31st December	Note	Bank		Group	
		2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Local currency in hand	20	17,787,093	12,502,601	17,906,374	12,652,560
Foreign currency in hand	20	208,750	2,742,448	208,750	2,742,448
Balances with local banks	20	60,670	132,167	106,740	170,641
Balances with foreign banks	20	8,250,032	2,425,699	8,250,032	2,425,699
Money at call & short notice	20	2,783,404	-	2,783,404	-
Placements less than three months	22	3,228,613	7,251,916	3,228,613	7,251,916
Unfavourable balances with local & foreign banks	34	(374,150)	(461,490)	(375,081)	(517,799)
Cash & cash equivalents at the end of the year		31,944,412	24,593,341	32,108,832	24,725,465

The Notes to the Financial Statements from pages 216 to 343 form an integral part of these Financial Statements.

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 2019	32,795,952	3,470,000	2,409,050	1,160,765	38,909,901	5,643,642	84,389,310
Total comprehensive income for the year 2019							
Profit for the year	-	-	-	-	-	11,150,887	11,150,887
Other comprehensive income	-	-	584,549	(352,886)	-	(1,053,226)	(821,563)
Total comprehensive income for the year 2019	-	-	584,549	(352,886)	-	10,097,661	10,329,324
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders							
Rights issue	12,104,933	-	-	-	-	-	12,104,933
Final dividend for 2018: scrip	2,721,608	-	-	-	-	(3,160,150)	(438,542)
Final dividend for 2018: cash	-	-	-	-	-	(1,404,511)	(1,404,511)
Unclaimed dividend adjustments	-	-	-	-	25,270	-	25,270
Total contributions by and distributions to equity holders	14,826,541	-	-	-	25,270	(4,564,661)	10,287,150
Transfer to reserves during the year	-	570,000	-	-	4,500,000	(5,070,000)	-
Balance as at 31st December 2019	47,622,493	4,040,000	2,993,599	807,879	43,435,171	6,106,642	105,005,784
Balance as at 1st January 2020	47,622,493	4,040,000	2,993,599	807,879	43,435,171	6,106,642	105,005,784
Total comprehensive income for the year 2020							
Profit for the year	-	-	-	-	-	8,025,147	8,025,147
Other comprehensive income	-	-	-	1,030,324	-	(2,050,935)	(1,020,611)
Total comprehensive income for the year 2020	-	-	-	1,030,324	-	5,974,212	7,004,536
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders							
Final dividend for 2019: cash	-	-	-	-	-	(4,482,131)	(4,482,131)
Unclaimed dividend adjustments	-	-	-	-	20,615	-	20,615
Total contributions by and distributions to equity holders	-	-	-	-	20,615	(4,482,131)	(4,461,516)
Transfer to reserves during the year	-	410,000	-	-	3,000,000	(3,410,000)	-
Balance as at 31st December 2020	47,622,493	4,450,000	2,993,599	1,838,203	46,455,786	4,188,723	107,548,804

The Notes to the Financial Statements from pages 216 to 343 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				
Balance as at 1st January 2019	32,795,952	3,609,000	5,093,155	1,160,765	38,909,901	90,050,654	-	90,050,654
Total comprehensive income for the year 2019								
Profit for the year	-	-	-	-	11,668,190	11,668,190	-	11,668,190
Other comprehensive income	-	-	869,237	(352,886)	(1,065,718)	(549,367)	-	(549,367)
Total comprehensive income for the year 2019			869,237	(352,886)	10,602,472	11,118,823	-	11,118,823
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders								
Rights issue	12,104,933	-	-	-	-	12,104,933	-	12,104,933
Final dividend for 2018: scrip	2,721,608	-	-	-	(3,160,150)	(438,542)	-	(438,542)
Final dividend for 2018: cash	-	-	-	-	(1,404,511)	(1,404,511)	-	(1,404,511)
Unclaimed dividend adjustments	-	-	-	-	25,270	25,270	-	25,270
Total contributions by and distributions to equity holders	14,826,541	-	-	-	25,270	10,287,150	-	10,287,150
Transfer to reserves during the year	-	595,000	-	-	4,500,000	5,095,000	-	5,095,000
Balance as at 31st December 2019	47,622,493	4,204,000	5,962,392	807,879	43,435,171	111,456,627	-	111,456,627
Balance as at 1st January 2020	47,622,493	4,204,000	5,962,392	807,879	43,435,171	111,456,627	-	111,456,627
Total comprehensive income for the year 2020								
Profit for the year	-	-	-	-	8,442,516	8,442,516	-	8,442,516
Other comprehensive income	-	-	1,030,324	(1,030,324)	(2,053,297)	(1,022,973)	-	(1,022,973)
Total comprehensive income for the year 2020			1,030,324	(1,030,324)	6,389,219	7,419,543	-	7,419,543
Transactions with equity holders, recognised directly in equity, contributions by and distributions to equity holders								
Final dividend for 2019: cash	-	-	-	-	(4,482,131)	(4,482,131)	-	(4,482,131)
Unclaimed dividend adjustments	-	-	-	-	20,615	20,615	-	20,615
Total contributions by and distributions to equity holders	-	-	-	-	20,615	(4,461,516)	-	(4,461,516)
Transfer to reserves during the year	-	431,000	-	-	3,000,000	3,431,000	-	3,431,000
Balance as at 31st December 2020	47,622,493	4,635,000	5,962,392	1,838,203	46,455,786	114,414,654	-	114,414,654

The Notes to the Financial Statements from pages 216 to 343 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. 7 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. The staff strength of the Bank as at 31st December 2020 was 4,048 (2019: 4,134).

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Bank as at and for the year ended 31st December 2020 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 2020 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 2020 and 31st December 2019 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. 7 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.

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. 7 of 2007.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Group as at and for the year ended 31st December 2020 were authorised for issue by the Board of Directors in accordance with the resolution of the Board of Directors on 15th February 2021.

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)

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 51 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. Furthermore, 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. The Directors have considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Group, in making this assessment. 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 COVID-19 and the Group's expectations of economic impacts, key assumptions used in the Group's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.4.6.7, while the impact on changing the weightages of different macroeconomic scenarios during the year are given in Note 50.2.1 (e). As at the reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised

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in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The Group is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. Further, the exposures which are not individually significant has been moved to stage 2 based on the industry risk of the underlying borrowers. This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

A breakdown of the loans and advances of the Bank/Group classified under stage 2 is given in Note 50.2.1 (f) while an analysis of loans under phase II of the COVID-19 debt moratorium is given in Note 50.2.1(h). Sensitivity of the individually significant loan impairment to recovery cash flows is given in Note 50.2.1 (c) while sensitivity of collective impairment provision to the staging of the loans and advances is disclosed in Note 50.2.1 (d).

2.10.3 Impairment of Other Financial Assets

The Group reviews its debt securities classified as FVOCI/amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at FVOCI/amortised cost is impaired 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.

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 3.4.10.

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 49.4 and 49.6. Determination of the fair value of financial instruments of the Group were not materially affected by the significant volatility in financial markets created by the COVID-19 pandemic.

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'. COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Group did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

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 has not revalued its freehold lands and buildings during this year for consolidated accounting purposes, on the basis that changes in property prices were not significant compared to the previous year.

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.

3. GENERAL ACCOUNTING POLICIES

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.

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.

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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.

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, 3.4.3.7.

3.4.3.1 Loans and advances to customers, debt and other securities, reverse repurchase agreements

The Group only measures loans and advances to customers, debt and other securities 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 2020 and 2019.

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.

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 met 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 2020.

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

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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. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. 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 as 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 depositors, other borrowers and debt securities holders

After initial measurement, securities sold under repurchase agreements, 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). When the Group reclassifies its financial assets it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or 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.

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.

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.

The Group did not reclassify any of its financial assets in 2020.

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.

As explained in Note 3.4.6.12 (a), modifications to the original terms and conditions of the loans due to COVID-19 moratorium did not result in a derecognition of the original loans as the Group concluded that the modifications were not substantial. Accordingly, a modification loss has been recognised during the year ended 31st December 2020 under net interest income in Note 7, representing the difference between the original carrying value of the loan (before modification) and the discounted present value of the revised cash flows (at the Original EIR) at the date of the loan modification.

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

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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 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.

The ECL impairment is based on the credit losses expected to arise over the life of the asset [the lifetime expected credit loss or (LTECL)], unless there has been no significant increase in credit risk since origination, in which case, 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 LTECLs 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.
- 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 original 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.

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

unlikeliness 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:

- Internal rating of the borrower indicating default or near default
- The borrower requesting emergency funding
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- The borrower operates in an elevated risk industry and the negative outlook of the industry has adversely affected the loan repayment
- The borrower is unable to revive the business and generate sufficient cash flows to repay the outstanding after the end of the moratorium period
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

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 present and the borrower is no longer considered as non-performing in accordance with the Directives of the Central Bank.

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, for customers who are considered as individually significant.

The Group is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). Accordingly, as explained in Note 3.4.6.12, a case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been

moved to stage 2. Further the exposures which are not individually significant has been moved to stage 2 based on the industry risk of the underlying borrowers. The Group has identified industries such as tourism, apparel, vehicle imports, construction (including condominiums), lending to overseas entities affected by COVID-19, agriculture, etc. as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and has specifically identified as stage 1.

This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

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 for 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

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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. The 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 Bank is in the process of developing its internal risk rating system to suit the requirements of SLFRS 9.

The movement of the customers into bad 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. Due to limited stage movements in loan portfolios under moratorium schemes, the Group has used additional assessments of SICR as explained in Note 3.4.6.1 (b) to build an allowance of overlay to better reflect the portfolio position.

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 COVID-19 pandemic has significantly impacted the local economy. The economic environment remains uncertain and future impairment charges may be subject to further volatility depending on the longevity of the COVID-19 pandemic and related containment measures. To reflect these uncertainties in the calculation of expected credit losses, the Group has changed the weightages assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2019.

	2020	2019
Base Case	50%	60%
Best Case	5%	15%
Worst Case	45%	25%

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs. These inputs are tabulated below along with their respective values for 2021 under the base case scenario.

	Base Case (2021)
GDP growth %	1.3
Unemployment rate %	5.4
Interest rate % (AWPLR)	7.9
USD exchange rate (Rs)	196.7
Inflation rate % (Annual average)	5.0
World GDP growth %	5.1

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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.

To ensure completeness and accuracy, the Group obtains the above data primarily from Central Bank. 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 2020 and 2019.

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. 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.

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. Reschedule/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 the rescheduled loan facility becomes a performing loan in terms of CBSL Directives. Details of restructured/rescheduled loans are disclosed in Note 50.2.1 (g). If modifications are substantial, the loan is derecognised, as explained in Note 3.4.5.1.

3.4.6.12 Relief Measures to Assist COVID-19 Affected Businesses and Individuals by CBSL

The COVID-19 pandemic has significantly impacted the local economy as the government had to impose travel bans and lockdowns on millions of people. Many people in many locations are still subjected to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. As a result of the disruption to businesses, some people lost their jobs and many businesses have been adversely affected. Central Bank of Sri Lanka has provided financial assistance to disrupted industry sectors and the affected businesses/individuals in the form of a debt moratorium through licensed banks/financial institutions in the country.

3.4.6.12 (a) COVID-19 Moratorium (First Wave): Circular No. 4 of 2020

CBSL issued Circular No. 4 of 2020 on 24th March 2020 instructing banks to offer a debt moratorium to COVID-19 affected segments of the economy. According to the above circular, banks were required to offer moratoriums of 2 months, 3 months & 6 months for eligible borrowers under different qualifying criteria.

Instalments (both capital and interest) fallen due during the moratorium period have been converted to a new loan account which can be repaid by the borrowers after the moratorium period. Repayment period of the new loan varies based on the repayment capacity of each borrower and the terms and conditions of the loan agreement with the Bank. When initially recognised, the new loans were recorded at their nominal value as the Group considers that it is representative of the fair value.

As per the Circular No. 4 of 2020 and the subsequent communications issued by the CBSL in this regard, banks were required to charge interest at a reduced rate of 7% per annum during the moratorium period for equated monthly instalments (EMI) loans. Non – EMI loans were not eligible for any interest rate concession during the moratorium period.

As explained in Note 3.4.5.1, the Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. However, the Group concluded that the COVID-19 moratorium did not give rise to a substantial modification to the original terms and conditions of the moratorium eligible loans. Accordingly, the Group continued to recognise the moratorium eligible loans at the original EIR of the loans while recognise a modification loss by discounting the revised cashflows of the loan at the original EIR.

Total modification loss recognise during the year ended 31st December 2020 on account of COVID-19 moratorium eligible loans amounted to Rs 3,087 Mn. All loans eligible for the COVID-19 moratorium (first wave) completed the moratorium period on or before 30th September 2020. The total modification loss has been recognised under interest income in Note 7 to the financial statements.

3.4.6.12 (b) COVID-19 Moratorium (Second Wave): CBSL Circular No. 8 of 2020/ No. 10 of 2020

Second wave of the COVID-19 outbreak in the country resulted in reimposing the travel restrictions, leading to disruption of economic activities. Giving due consideration on the requests received from affected individuals and businesses, CBSL advised licensed banks to extend the debt moratorium for a further period of six months commencing from 1st October 2020 to 31st March 2021. Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1st October 2020 to 31st March 2021 into a term loan of which repayment shall commence from July 2021. Repayment period of the new loan shall be two years in general, however may vary based on the terms and conditions agreed with the borrower. The banks were allowed to recover interest at the original EIR during the moratorium period and therefore did not recognise any modification loss on account of the second phase of the COVID-19

moratorium. An analysis of the loans eligible for the second phase of the COVID-19 moratorium is presented in Note 50.2.1(h) to the Financial Statements.

The granting of the moratorium is directly related to the cash flow difficulties generated by the occurrence of the COVID-19 pandemic. However, it did not led to an automatic transfer of these credit facilities into stage 2 or stage 3. A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. Further the exposures which are not individually significant has been moved to stage 2 based on the industry risk of the underlying borrowers.

3.4.7 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.

3.4.8 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 2020 and 2019.

3.4.9 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.

3.4.10 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

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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 use of 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 2 to 14 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(a) 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.

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 associated with that 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 costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.10 Recognition of Income

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 revenue is recognised is discussed under Note 7 - Net Interest Income, Note 8 - Net Fee and Commission Income, Note 9 - Net Gain/Loss from Trading and Note 10 - Net Gain on Derecognition of Financial Assets.

3.11 Other Taxes

3.11.1 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.

3.11.2 Nation Building Tax (NBT)

NBT on financial services was calculated based on the same value addition used for the purpose of VAT on financial services, in accordance with Nation Building Tax (NBT) Act No. 9 of 2009 and subsequent amendments thereto. This tax was abolished by the government with effect from 1st December 2019.

NOTES TO THE FINANCIAL STATEMENTS

3.11.3 Debt Repayment Levy (DRL)

According to the Finance Act No. 35 of 2018, every financial institution paid 7% on the value addition attributable to the supply of financial services by such institution as DRL, with effect from 1st October 2018. DRL was calculated based on the value addition used for the purpose of VAT on financial services. This tax was abolished by the government with effect from 1st January 2020.

3.12 Regulatory Provisions

3.12.1 Deposit Insurance and Liquidity Support Scheme

In terms of the Banking Act Direction No. 5 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 and subsequent amendments there to, all Licensed Commercial Banks are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme".

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following;

- deposit liabilities to member institutions
- deposit liabilities to government of Sri Lanka
- deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No. 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- deposit liabilities held as collateral against any accommodation granted
- deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Business Act, funds of which have been transferred to Central Bank of Sri Lanka.

The Bank's total capital ratio as at 31st December 2019 exceeded 14% and accordingly the Bank paid a premium of 0.10% during the year ended 31st December 2020.

3.12.2 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

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st December 2020. The amendments to the following existing Sri Lanka Accounting Standards which were effective from 1st January 2020 did not have a material impact on the Consolidated/ Separate Financial Statements of the Group/ Bank.

- Sri Lanka Accounting Standard - SLFRS 16 (Leases): COVID-19 Related Rent Concessions
- Sri Lanka Accounting Standard - SLFRS 3 (Business Combinations)
- Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements)
- Sri Lanka Accounting Standard - LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31ST DECEMBER 2020

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 2021.

- **Sri Lanka Accounting Standard – SLFRS 17 (Insurance Contracts)**
Consolidated/Separate Financial Statements of the Group/Bank is not expected to have a material impact from SLFRS -17 (Insurance Contracts).
- **Interest Rate Benchmark Reform - Amendments to SLFRS 9, LKAS 39, SLFRS 4 & SLFRS 16**
The Bank/Group is in the process of evaluating the impact of this amendment on Consolidated/Separate Financial Statements.

6 GROSS INCOME

For the year ended 31st December	Note	Bank		Group	
		2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Interest income	7.1	88,628,336	103,566,877	94,647,361	109,855,396
Fee & commission income	8	9,775,379	11,719,108	10,270,563	12,076,208
Net gain from trading	9	24,787	2,205,878	24,787	2,205,878
Net gain on derecognition of financial assets	10	423,814	113,670	423,814	113,670
Net other operating income	11	3,486,660	1,249,016	3,841,439	1,669,370
		102,338,976	118,854,549	109,207,964	125,920,522

7 NET INTEREST INCOME

ACCOUNTING POLICY

Recognition of Interest Income

The Group recognises interest income for all financial instruments measured at amortised cost, financial instruments designated at FVPL and interest-bearing financial assets measured at FVOCI using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts 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. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

7.1 Interest Income

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Placements with banks	512,843	410,315	512,843	410,315
Financial assets recognised through profit or loss - measured at fair value	928,897	1,422,689	928,897	1,422,689
Reverse repurchase agreements	227,168	114,039	410,752	327,568
Financial assets at amortised cost				
- loans & advances	69,397,299	85,592,680	75,216,599	91,583,056
- debt & other instruments	13,062,057	11,741,559	13,063,558	11,741,963
Interest income accrued on impaired loans & advances (Note 25.2)	3,333,638	2,809,924	3,348,278	2,894,134
Financial assets - fair value through other comprehensive income	1,166,434	1,475,671	1,166,434	1,475,671
	88,628,336	103,566,877	94,647,361	109,855,396

As explained in Note 3.4.6.12(a), modifications to the original terms and conditions of the loans due to COVID-19 moratorium did not result in a derecognition of the original loans as the Group concluded that the modifications were not substantial. Accordingly, modification loss of Rs 3,087 Mn has been recognised by the Bank/Group during the year ended 31st December 2020 under interest income, representing the difference between the original carrying value of the loan (before modification) and the discounted present value of the revised cash flows (at the Original EIR) at the date of the loan modification.

NOTES TO THE FINANCIAL STATEMENTS

7 NET INTEREST INCOME CONTD.

7.2 Interest Expense

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Securities sold under repurchase agreements (Note 7.3)	299,910	608,660	297,874	606,674
Financial liabilities at amortised cost				
-due to depositors	47,433,811	52,936,752	49,077,536	54,423,648
-due to other borrowers	2,339,787	3,102,978	3,303,016	4,395,508
-due to debt securities holders	4,260,675	4,722,542	4,845,661	5,296,899
Finance leases (Notes 31.1)	470,735	620,740	295,941	368,897
	54,804,918	61,991,672	57,820,028	65,091,626
Net interest income	33,823,418	41,575,205	36,827,333	44,763,770

7.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Interest income	14,676,961	13,634,919	14,862,046	13,848,852
Interest expense (Note 7.2)	(299,910)	(608,660)	(297,874)	(606,674)
Net interest income from government securities	14,377,051	13,026,259	14,564,172	13,242,178

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.

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Fee & commission income	9,775,379	11,719,108	10,270,563	12,076,208
Fee & commission expense	(1,320,583)	(1,686,195)	(1,321,437)	(1,687,526)
Net fee & commission income	8,454,796	10,032,913	8,949,126	10,388,682
Comprising:				
Loans & advances	1,170,019	1,679,009	1,446,944	1,990,507
Credit & debit cards	2,776,083	3,308,854	2,776,083	3,308,854
Trade & remittances	2,046,731	1,971,031	2,046,731	1,971,031
Deposits	441,057	922,598	441,139	922,598
Guarantees	560,999	580,266	561,044	580,336
Other banking & financial services	1,459,907	1,571,155	1,677,185	1,615,356
Net fee & commission income	8,454,796	10,032,913	8,949,126	10,388,682

9 NET GAIN/(LOSS) FROM TRADING

ACCOUNTING POLICY

Net gain/(loss) 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.

Bank & Group

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Forward exchange contract revaluation (loss)/gain		
- Inter bank	(1,716,544)	1,933,121
- Others	1,613,427	106,846
Net mark to market gain - government securities & equity securities	123,145	161,217
Dividend income	4,759	4,694
	24,787	2,205,878

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.

Bank & Group

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Recognised at:		
- fair value through profit or loss	243,977	94,130
- fair value through other comprehensive income	179,418	16,842
- amortised cost	419	2,698
	423,814	113,670

NOTES TO THE FINANCIAL STATEMENTS

11 NET OTHER OPERATING INCOME

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Exchange income				
- Inter bank	889,973	202,818	889,973	202,818
- Others	2,005,125	549,970	2,005,125	549,970
Dividend income from financial assets at FVOCI	118,497	139,183	118,817	139,424
Dividend income from subsidiaries	201,926	68,053	-	-
(Loss)/profit on disposal of property, plant & equipment	(1,249)	(2,206)	31	(1,706)
Rental & other income	272,388	291,198	827,493	778,864
	3,486,660	1,249,016	3,841,439	1,669,370

- 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 103 Mn (2019: profit Rs 2,040 Mn) is reported under Note 9, 'Net gain/(loss) 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 2020 amounted to Rs 2,792 Mn (2019: Rs 2,793 Mn).

12 IMPAIRMENT CHARGE/(REVERSAL)

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Cash & cash equivalents (Note 20.2)				
Stage 1	22,625	(4,461)	22,629	(4,453)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
	22,625	(4,461)	22,629	(4,453)
Placements with banks (Note 22.2)				
Stage 1	(164)	(1,584)	(164)	(1,584)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
	(164)	(1,584)	(164)	(1,584)
Financial assets at amortised cost - loans & advances (Note 25.2)				
Stage 1	(158,801)	935,090	(130,139)	961,567
Stage 2	5,190,768	3,411,479	5,364,773	3,427,962
Stage 3	5,128,048	7,667,983	6,276,614	8,781,281
	10,160,015	12,014,552	11,511,248	13,170,810
Financial assets at amortised cost - debt & other instruments (Note 26.4)				
Stage 1	1,335,000	87,444	1,335,000	87,444
Stage 2	-	-	-	-
Stage 3	36,095	254,784	36,095	254,784
	1,371,095	342,228	1,371,095	342,228
Financial assets at fair value through other comprehensive income (Note 43.2)				
Stage 1	19,527	-	19,527	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
	19,527	-	19,527	-
Credit related commitments & contingencies (Note 45.2)				
Stage 1	379,587	117,338	380,587	117,455
Stage 2	51,000	65,906	50,841	66,065
Stage 3	(162,009)	49,897	(162,009)	49,897
	268,578	233,141	269,419	233,417
Investment in subsidiaries (Note 28)	(58,975)	(6,219)	-	-
Property, plant & equipment (Note 29.3)	-	(4,632)	-	(4,632)
Others	-	-	7,172	14,791
	11,782,701	12,573,025	13,200,926	13,750,577

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).

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 55 years of 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 (30 years) that have maturity dates approximating to the terms of the Bank's obligations.

NOTES TO THE FINANCIAL STATEMENTS

13 PERSONNEL EXPENSES CONTD.

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 2020 (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. There were no plan amendments or curtailments affecting the Bank's pension liabilities during the year ended 31st December 2020.

The demographic assumptions underlying the valuation are retirement age (55 years), 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 (10 years) 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 2020 (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. There were no plan amendments or curtailments affecting the Group's gratuity liabilities during the year ended 31st December 2020.

The demographic assumptions underlying the valuation are retirement age (55 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 2020.

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Salaries & bonus	7,970,662	7,584,040	8,777,917	8,278,648
Contributions to EPF & ETF	776,074	749,836	855,372	816,081
Provision for gratuity & pension	827,262	696,214	855,867	717,692
Others	659,010	688,602	738,193	772,379
	10,233,008	9,718,692	11,227,349	10,584,800

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 (%)	
	2020	2019
Freehold buildings	2.50	2.50
Improvements to leasehold properties	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	10.00 - 25.00	10.00 - 25.00
Fixtures & fittings	12.50 - 20.00	12.50 - 20.00

NOTES TO THE FINANCIAL STATEMENTS

14 DEPRECIATION AND AMORTISATION EXPENSES CONTD.

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 (%)	
	2020	2019
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 2 to 14 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 2020, the Group conducted an operational efficiency review and estimates were revised accordingly.

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Depreciation of property, plant & equipment (Note 29)	812,854	779,064	1,245,729	1,237,155
Amortisation of intangible assets (Note 30)	440,811	389,795	465,582	414,287
Amortisation of right-of-use assets (Note 31)	1,200,440	1,265,199	807,142	874,063
	2,454,105	2,434,058	2,518,453	2,525,505

15 OTHER OPERATING EXPENSES

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Directors' fees & expenses	85,774	82,852	137,321	148,634
Auditors' remuneration (Note 15.1)	27,460	36,087	36,092	41,759
Professional & legal expenses	111,679	148,702	145,534	176,551
Deposit insurance premium	755,730	640,145	777,845	657,536
Donations	9,702	466	9,702	466
Operating lease expenses	89,792	61,219	101,447	106,079
Office administration & establishment expenses	3,472,000	3,578,849	3,623,735	3,773,389
Other expenses (Note 15.2)	2,856,209	3,664,698	3,004,235	3,885,845
	7,408,346	8,213,018	7,835,911	8,790,259

15.1 Auditors' Remuneration

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Audit fees	11,660	11,660	14,513	14,513
Audit related fees & expenses	3,152	7,215	4,825	8,614
Non - audit expenses	12,648	17,212	16,754	18,632
	27,460	36,087	36,092	41,759

15.2 Other expenses include advertising and business promotion expenses, credit card related expenses and other overhead expenses incurred on day to day operations of the Bank/Group.

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. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Group to provide additional disclosures in the financial statements.

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 amendments thereto at the rates specified in Note 16.1.1 and 16.1.2 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.

NOTES TO THE FINANCIAL STATEMENTS

16 INCOME TAX EXPENSE CONTD.

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 intentions 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	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Current tax expense				
Current tax based on profit for the year (Note 39.1)	4,137,004	7,578,543	4,485,988	8,138,931
Over provision in respect of previous years (Note 39.1)	(490,640)	(802,528)	(601,050)	(802,528)
Current tax expense	3,646,364	6,776,015	3,884,938	7,336,403
Deferred tax expense				
Deferred tax reversal (Note 32.1)	(499,624)	(2,428,672)	(437,875)	(2,666,208)
Income tax expense (Note 16.1)	3,146,740	4,347,343	3,447,063	4,670,195
Effective tax rate	28.2%	28.1%	29.0%	28.6%

16.1 Reconciliation of the Accounting Profit to Current Tax Expense

For the year ended 31st December	Bank				Group			
	%	Rs 000	%	Rs 000	%	Rs 000	%	Rs 000
Profit before tax		11,171,887		15,498,230		11,889,579		16,338,385
Tax effect on accounting profit before tax	28.0	3,128,128	28.0	4,339,504	28.0	3,329,082	28.0	4,574,748
Tax effect on turnover liable for income tax	-	-	-	-	-	6,330	-	6,355
Tax effect on								
Disallowable expenses	18.9	2,111,638	28.3	4,383,835	26.2	3,112,064	30.0	4,904,616
Tax deductible expenses	(5.0)	(555,118)	(3.0)	(458,897)	(11.9)	(1,410,572)	(3.6)	(588,414)
Exempt income	(4.9)	(547,644)	(4.4)	(685,899)	(4.6)	(547,644)	(4.2)	(685,899)
Income from other sources	-	-	-	-	-	654	-	1,373
Elimination of loss/(profit) liable for turnover based tax	-	-	-	-	-	1,038	-	(5,275)
Tax losses	-	-	-	-	-	(4,964)	(0.4)	(68,573)
Current tax based on profit for the year (Note 39.1)	37.0	4,137,004	48.9	7,578,543	37.7	4,485,988	49.8	8,138,931
Over provision in respect of previous years (Note 39.1)	(4.4)	(490,640)	(5.1)	(802,528)	(5.0)	(601,050)	(4.9)	(802,528)
Deferred tax reversal (Note 32.1)	(4.4)	(499,624)	(15.7)	(2,428,672)	(3.7)	(437,875)	(16.3)	(2,666,208)
	28.2	3,146,740	28.1	4,347,343	29.0	3,447,063	28.6	4,670,195

16.1.1 Applicable Income Tax Rates

Company	2020	2019
Sampath Bank PLC	28%	28%
Siyapatha Finance PLC	28%	28%
SC Securities (Pvt) Ltd	28%	28%
Sampath Information Technology Solutions Ltd	28%	28%

16.1.2 Income Tax on Sampath Centre Ltd

Sampath Centre Ltd is a company approved under BOI Law and the company was exempted from income tax for a period of seven years commencing from the first year of assessment. The first year of assessment is the year in which the company commenced making profits in relation to its transactions in that year, or any year of assessment not later than five years from the date of its first commercial operations, whichever is earlier. After the initial exemption, rental income of the company is liable for income tax at the rate of 2% for a further period of 15 years. During this period, income generated from other sources is taxed at the normal rate of 28%.

Accordingly, company's rental income is liable for income tax at the rate 2% up to the year of assessment 2020/2021 and thereafter company is liable to pay tax at the rate of 28% on its taxable income. Deferred tax has been booked in the Group financial statements for the taxable temporary differences as at 31st December 2020, at the rate of 28%.

16.1.3 Amendments to Income Tax Law Announced by the Government

As per the announcement dated 12th February 2020, income tax rate applicable for the Banking sector has been reduced to 24% with effect from 01st January 2020. However, as the said amendment is yet to be enacted, both income tax and deferred tax provisions were calculated at the rate of 28% for the year ended 31st December 2020.

Had the Bank considered the revised rate of 24% and the other proposals announced by the government in the computation of current and deferred tax, the tax expense recognised in the profit or loss for the year ended 31st December 2020 would have decreased by Rs 93 Mn. This includes a reversal of Rs 818 Mn against current tax expense and an additional charge of Rs 725 Mn against deferred tax. In addition, the deferred tax charge to other comprehensive income would have reduced by Rs 63 Mn.

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.

17.1 Earnings per Share: Basic/Diluted

	Bank		Group	
	2020	2019	2020	2019
Amount used as the numerator				
Profit after tax for the year attributable to equity holders (Rs)	8,025,147,152	11,150,887,227	8,442,516,452	11,668,189,861
No. of ordinary shares used as the denominator				
Weighted average number of ordinary shares (Note 17.1.1)	381,457,985	339,541,131	381,457,985	339,541,131
Basic/diluted earnings per ordinary share (Rs)	21.04	32.84	22.13	34.36

NOTES TO THE FINANCIAL STATEMENTS

17 EARNINGS PER SHARE CONTD.

17.1.1 Weighted Average Number of Ordinary Shares for Basic/Diluted EPS

Bank & Group

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2020	2019	2020	2019
Number of shares in issue as at 1st January	381,457,985	280,902,248	381,457,985	280,902,248
Add:				
Number of shares issued due to final scrip dividend 2018	-	11,548,874	-	11,548,874
Number of shares issued under rights issue 2019	-	89,006,863	-	47,090,009
Number of shares in issue/weighted average number of shares as at 31st December	381,457,985	381,457,985	381,457,985	339,541,131

The Board of Directors of the Bank at its meeting held on 27th January 2021 has approved that the number of ordinary shares of the Bank in issue be increased by way of a sub-division of shares; where by one (01) ordinary share will be subdivided in to three (03) ordinary shares. The basic/diluted Earnings per Share (EPS) of the Bank and Group for the year ended 31st December 2020 have not been adjusted for the said sub-division of shares as it is subject to the approval of shareholders at the Extra-ordinary General Meeting to be held on 17th March 2021. Except for the above, there have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of EPS.

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 Companies Act No. 7 of 2007.

	2020			2019		
	Gross Dividend	Advance Income Tax	Net Dividend	Gross Dividend	Dividend Tax/ Advance Income Tax	Net Dividend
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Final dividend paid for the years 2019 & 2018 respectively						
Out of dividend received	13,574	-	13,574	40,016	-	40,016
Out of normal profit	4,468,557	-	4,468,557	4,524,645	633,450	3,891,195
Scrip/cash dividend paid	4,482,131	-	4,482,131	4,564,661	633,450	3,931,211
Dividend per Ordinary Share (Rs)	11.75		11.75	16.25		13.99
Final dividend proposed for the years 2020 (Note 18.1) & 2019 respectively						
Out of dividend received	11,628	-	11,628	13,574	-	13,574
Out of normal profit	3,135,400	-	3,135,400	4,468,557	-	4,468,557
Cash dividend payable	3,147,028	-	3,147,028	4,482,131	-	4,482,131
Dividend per Ordinary Share (Rs)	8.25		8.25	11.75		11.75

Note 18.1

The Directors have recommended a final cash dividend of Rs 8.25 per share for the financial year ended 31st December 2020, based on the 381,457,985 shares in issue as at 15th February 2021. The said dividend is subject to approval of the shareholders at the Annual General Meeting to be held on 30th March 2021.

However, if the shareholders approve the resolution for the proposed sub-division of shares in the proportion of 01:03 at the Extra-ordinary General Meeting to be held on 17th March 2021, the final dividend will be based on the increased number of shares (i.e. 1,144,373,955 shares). Consequently, each share will be entitled to a final cash dividend of Rs 2.75.

Note 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 48 to the Financial Statements, "Events after reporting period" as required by the said standard.

19 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

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 instruments 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 2020			Total Rs 000
		Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Fair Value through Other Comprehensive Income Rs 000	
Financial Assets					
Cash & cash equivalents	20	-	29,053,585	-	29,053,585
Balances with Central Bank of Sri Lanka	21	-	13,335,178	-	13,335,178
Placements with banks	22	-	3,228,166	-	3,228,166
Reverse repurchase agreements		-	4,450,557	-	4,450,557
Derivative financial instruments	23	2,186,515	-	-	2,186,515
Financial assets recognised through profit or loss					
- measured at fair value	24	9,313,628	-	-	9,313,628
Financial assets at amortised cost					
- loans & advances	25	-	720,215,247	-	720,215,247
- debt & other instruments	26	-	275,091,572	-	275,091,572
Financial assets - fair value through other comprehensive income	27	-	-	24,237,803	24,237,803
Other assets		-	4,772,493	-	4,772,493
Total Financial Assets		11,500,143	1,050,146,798	24,237,803	1,085,884,744
Financial Liabilities					
Due to banks	34	-	1,522,402	-	1,522,402
Derivative financial instruments	23	2,030,947	-	-	2,030,947
Securities sold under repurchase agreements		-	3,399,896	-	3,399,896
Financial liabilities at amortised cost					
- due to depositors	35	-	885,724,901	-	885,724,901
- due to other borrowers	36	-	49,052,595	-	49,052,595
- due to debt securities holders	37	-	30,790,007	-	30,790,007
Dividend payable		-	121,270	-	121,270
Other liabilities		-	14,457,170	-	14,457,170
Total Financial Liabilities		2,030,947	985,068,241	-	987,099,188

NOTES TO THE FINANCIAL STATEMENTS

19 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS CONTD.

19.2 Analysis of Financial Instruments by Measurement Basis - Bank

	Note	As at 31st December 2019			Total
		Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Fair Value through Other Comprehensive Income Rs 000	
Financial Assets					
Cash & cash equivalents	20	-	17,789,176	-	17,789,176
Balances with Central Bank of Sri Lanka	21	-	31,028,270	-	31,028,270
Placements with banks	22	-	7,251,305	-	7,251,305
Derivative financial instruments	23	862,754	-	-	862,754
Financial assets recognised through profit or loss					
- measured at fair value	24	11,130,230	-	-	11,130,230
Financial assets at amortised cost					
- loans & advances	25	-	689,377,504	-	689,377,504
- debt & other instruments	26	-	156,293,495	-	156,293,495
Financial assets - fair value through other comprehensive income	27	-	-	17,331,724	17,331,724
Other assets		-	7,152,067	-	7,152,067
Total Financial Assets		11,992,984	908,891,817	17,331,724	938,216,525
Financial Liabilities					
Due to banks	34	-	1,511,665	-	1,511,665
Derivative financial instruments	23	604,069	-	-	604,069
Securities sold under repurchase agreements		-	16,398,511	-	16,398,511
Financial liabilities at amortised cost					
- due to depositors	35	-	717,250,492	-	717,250,492
- due to other borrowers	36	-	55,661,729	-	55,661,729
- due to debt securities holders	37	-	37,642,049	-	37,642,049
Dividend payable		-	88,898	-	88,898
Other liabilities		-	12,320,390	-	12,320,390
Total Financial Liabilities		604,069	840,873,734	-	841,477,803

19.3 Analysis of Financial Instruments by Measurement Basis - Group

	Note	As at 31st December 2020			Total
		Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	
		Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash & cash equivalents	20	-	29,218,921	-	29,218,921
Balances with Central Bank of Sri Lanka	21	-	13,335,178	-	13,335,178
Placements with banks	22	-	3,228,166	-	3,228,166
Reverse repurchase agreements		-	6,231,719	-	6,231,719
Derivative financial instruments	23	2,186,515	-	-	2,186,515
Financial assets recognised through profit or loss					
- measured at fair value	24	9,313,628	-	-	9,313,628
Financial assets at amortised cost					
- loans & advances	25	-	752,437,782	-	752,437,782
- debt & other instruments	26	-	275,125,717	-	275,125,717
Financial assets - fair value through other comprehensive income	27	-	-	24,237,859	24,237,859
Other assets		-	5,383,794	-	5,383,794
Total Financial Assets		11,500,143	1,084,961,277	24,237,859	1,120,699,279
Financial Liabilities					
Due to banks	34	-	1,523,333	-	1,523,333
Derivative financial instruments	23	2,030,947	-	-	2,030,947
Securities sold under repurchase agreements		-	2,306,896	-	2,306,896
Financial liabilities at amortised cost					
- due to depositors	35	-	902,498,739	-	902,498,739
- due to other borrowers	36	-	56,871,506	-	56,871,506
- due to debt securities holders	37	-	37,078,483	-	37,078,483
Dividend payable		-	121,270	-	121,270
Other liabilities		-	14,678,824	-	14,678,824
Total Financial Liabilities		2,030,947	1,015,079,051	-	1,017,109,998

NOTES TO THE FINANCIAL STATEMENTS

19 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS CONTD.

19.4 Analysis of Financial Instruments by Measurement Basis - Group

	Note	As at 31st December 2019			Total Rs 000
		Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Fair Value through Other Comprehensive Income Rs 000	
Financial Assets					
Cash & cash equivalents	20	-	17,977,598	-	17,977,598
Balances with Central Bank of Sri Lanka	21	-	31,028,270	-	31,028,270
Placements with banks	22	-	7,251,305	-	7,251,305
Reverse repurchase agreements		-	2,304,392	-	2,304,392
Derivative financial instruments	23	862,754	-	-	862,754
Financial assets recognised through profit or loss					
- measured at fair value	24	11,130,230	-	-	11,130,230
Financial assets at amortised cost					
- loans & advances	25	-	719,046,634	-	719,046,634
- debt & other instruments	26	-	156,308,796	-	156,308,796
Financial assets - fair value through other comprehensive income	27	-	-	17,331,780	17,331,780
Other assets		-	7,522,839	-	7,522,839
Total Financial Assets		11,992,984	941,439,834	17,331,780	970,764,598
Financial Liabilities					
Due to banks	34	-	1,567,974	-	1,567,974
Derivative financial instruments	23	604,069	-	-	604,069
Securities sold under repurchase agreements		-	16,384,511	-	16,384,511
Financial liabilities at amortised cost					
- due to depositors	35	-	730,189,642	-	730,189,642
- due to other borrowers	36	-	67,311,166	-	67,311,166
- due to debt securities holders	37	-	41,371,586	-	41,371,586
Dividend payable		-	88,898	-	88,898
Other liabilities		-	12,276,319	-	12,276,319
Total Financial Liabilities		604,069	869,190,096	-	869,794,165

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.

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).

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Local currency in hand	17,787,093	12,502,601	17,906,374	12,652,560
Foreign currency in hand	208,750	2,742,448	208,750	2,742,448
Balances with local banks	60,670	132,167	106,740	170,641
Balances with foreign banks	8,250,032	2,425,699	8,250,032	2,425,699
Money at call & short notice	2,783,404	-	2,783,404	-
Gross cash & cash equivalents	29,089,949	17,802,915	29,255,300	17,991,348
Impairment for expected credit losses (Note 20.2)	(36,364)	(13,739)	(36,379)	(13,750)
Net cash & cash equivalents	29,053,585	17,789,176	29,218,921	17,977,598

20.1 Analysis of Cash and Cash Equivalents based on Exposure to Credit Risk

Bank

As at 31st December	2020				2019 Total Rs 000
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Balances with local banks	60,670	-	-	60,670	132,167
Balances with foreign banks	8,250,032	-	-	8,250,032	2,425,699
Money at call & short notice	2,783,404	-	-	2,783,404	-
	11,094,106	-	-	11,094,106	2,557,866
Impairment for expected credit losses	(36,364)	-	-	(36,364)	(13,739)
	11,057,742	-	-	11,057,742	2,544,127

Group

As at 31st December	2020				2019 Total Rs 000
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Balances with local banks	106,740	-	-	106,740	170,641
Balances with foreign banks	8,250,032	-	-	8,250,032	2,425,699
Money at call & short notice	2,783,404	-	-	2,783,404	-
	11,140,176	-	-	11,140,176	2,596,340
Impairment for expected credit losses	(36,379)	-	-	(36,379)	(13,750)
	11,103,797	-	-	11,103,797	2,582,590

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS CONTD.

20.2 Impairment for Expected Credit Losses - Cash and Cash Equivalents

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Stage 1				
Balance as at 1st January	13,739	18,200	13,750	18,203
Net charge/(reversal) for the year (Note 12)	22,625	(4,461)	22,629	(4,453)
Amounts written off during the year	-	-	-	-
Other adjustments	-	-	-	-
Balance as at 31st December	36,364	13,739	36,379	13,750
Total				
Balance as at 1st January	13,739	18,200	13,750	18,203
Net charge/(reversal) for the year (Note 12)	22,625	(4,461)	22,629	(4,453)
Amounts written off during the year	-	-	-	-
Other adjustments	-	-	-	-
Balance as at 31st December	36,364	13,739	36,379	13,750

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 2020, the minimum cash reserve requirement was 2% (2019: 5%) 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	2020 Rs 000	2019 Rs 000
Statutory reserve requirement	13,335,178	31,028,270
	13,335,178	31,028,270

22 PLACEMENTS WITH BANKS

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Maturity less than three months		
Placements - in Sri Lanka	-	181,364
Placements - out side Sri Lanka	3,228,613	7,070,552
Gross placements with banks	3,228,613	7,251,916
Impairment for expected credit losses (Note 22.2)	(447)	(611)
Net placements with banks	3,228,166	7,251,305

22.1 Analysis of Placements with Banks based on Exposure to Credit Risk

Bank & Group

As at 31st December	2020				2019 Total Rs 000
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Placements - in Sri Lanka	-	-	-	-	181,364
Placements - out side Sri Lanka	3,228,613	-	-	3,228,613	7,070,552
	3,228,613	-	-	3,228,613	7,251,916
Impairment for expected credit losses	(447)	-	-	(447)	(611)
	3,228,166	-	-	3,228,166	7,251,305

22.2 Impairment for Expected Credit Losses - Placements with Banks

Bank & Group

	2020 Rs 000	2019 Rs 000
Stage 1		
Balance as at 1st January	611	2,195
Net reversal for the year (Note 12)	(164)	(1,584)
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	447	611
Total		
Balance as at 1st January	611	2,195
Net reversal for the year (Note 12)	(164)	(1,584)
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	447	611

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 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	2020			2019		
	Assets Rs 000	Liabilities Rs 000	Notional Amount Rs 000	Assets Rs 000	Liabilities Rs 000	Notional Amount Rs 000
Forward exchange contracts						
Sales	1,821,263	13,971	62,881,292	15,687	21,766	8,682,734
Purchases	10,785	38,785	4,912,359	4,712	7,730	4,535,733
Currency SWAPS						
Sales	214,256	57,962	35,520,725	725,589	51,357	63,074,414
Purchases	140,211	1,920,229	55,098,550	116,766	523,216	39,755,944
	2,186,515	2,030,947	158,412,926	862,754	604,069	116,048,825

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Government securities - treasury bills (Note 24.1)	5,216,543	9,039,033
Government securities - treasury bonds (Note 24.2)	4,035,014	2,018,920
Quoted equity securities (Note 24.3)	62,071	72,277
	9,313,628	11,130,230

24.1 Government of Sri Lanka - Treasury Bills

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Amortised cost	5,214,932	9,031,504
Gain/(loss) from mark to market valuation as at 1st January	7,529	(113,231)
Movement during the year	(5,918)	120,760
Gain from mark to market valuation as at 31st December	1,611	7,529
Market value	5,216,543	9,039,033

24.2 Government of Sri Lanka - Treasury Bonds

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Amortised cost	3,847,421	1,973,995
Gain from mark to market valuation as at 1st January	44,925	-
Movement during the year	142,668	44,925
Gain from mark to market valuation as at 31st December	187,593	44,925
Market value	4,035,014	2,018,920

24.3 Quoted Equity Securities

Bank & Group

As at 31st December	No. of Ordinary Shares	2020 Cost of Investment Rs 000	Market Value Rs 000	No. of Ordinary Shares	2019 Cost of Investment Rs 000	Market Value Rs 000
Name of the company						
Banks, Finance & Insurance						
National Development Bank PLC	713,002	121,509	55,685	679,787	118,110	67,979
		121,509	55,685		118,110	67,979
Diversified Holdings						
Vallibel One PLC	245,600	6,140	6,386	245,600	6,140	4,298
		6,140	6,386		6,140	4,298
Total		127,649	62,071		124,250	72,277
Loss from mark to market valuation as at 1st January		(51,973)			(47,505)	
Movement during the year		(13,605)			(4,468)	
Loss from mark to market valuation as at 31st December		(65,578)			(51,973)	
Market value		62,071			72,277	

24.4 Analysis of Financial Assets Recognised through Profit or Loss - Measured at Fair Value

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	9,313,628	11,130,230
Gross total	9,313,628	11,130,230
By currency		
Sri Lankan Rupee	9,313,628	11,130,230
Other currency	-	-
Gross total	9,313,628	11,130,230

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS AND ADVANCES

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Gross loans & advances (Note 25.1)				
Stage 1	533,294,217	532,475,516	544,454,372	548,550,945
Stage 2	165,663,708	133,212,160	178,402,956	142,613,843
Stage 3	59,984,365	53,936,018	71,222,291	59,913,117
	758,942,290	719,623,694	794,079,619	751,077,905
Impairment for expected credit losses (Note 25.2)				
Stage 1	(3,679,288)	(3,838,089)	(3,800,247)	(3,930,386)
Stage 2	(10,707,506)	(5,516,738)	(11,007,341)	(5,642,568)
Stage 3	(24,340,249)	(20,891,363)	(26,834,249)	(22,458,317)
	(38,727,043)	(30,246,190)	(41,641,837)	(32,031,271)
Net loans & advances	720,215,247	689,377,504	752,437,782	719,046,634

25.1 Analysis of Loans & Advances

25.1.1 By Product

As at 31st December	Bank					Group				
	2020 Rs 000	Mix %	2019 Rs 000	Mix %	Growth %	2020 Rs 000	Mix %	2019 Rs 000	Mix %	Growth %
Bills of exchange	2,749,078	0.36	2,587,844	0.36	6.23	2,749,078	0.35	2,587,844	0.34	6.23
Leasing (Note 25.3)	35,467,037	4.67	31,898,575	4.43	11.19	66,155,491	8.33	61,738,905	8.22	7.15
Housing loans	46,871,439	6.17	44,356,362	6.16	5.67	46,871,439	5.91	44,356,362	5.91	5.67
Export loans	28,260,577	3.73	27,413,937	3.81	3.09	28,260,577	3.55	27,413,937	3.65	3.09
Import loans	53,175,396	7.01	69,536,981	9.66	(23.53)	53,175,396	6.70	68,334,574	9.10	(22.18)
Refinance loans	22,065,236	2.91	12,100,433	1.68	82.35	22,065,236	2.78	12,100,433	1.61	82.35
Term loans	383,292,833	50.51	366,018,701	50.87	4.72	381,952,204	48.10	362,468,370	48.27	5.38
Hire purchases	7,259	-	13,217	-	(45.08)	16,274	-	24,328	-	(33.11)
Loans against investment fund account (IFA)	92,623	0.01	109,523	0.02	(15.43)	92,623	0.01	109,523	0.01	(15.43)
Overdraft	87,324,339	11.50	94,788,231	13.17	(7.87)	87,086,765	10.96	94,645,220	12.60	(7.99)
Staff loans	9,272,970	1.22	8,301,356	1.15	11.70	9,416,997	1.19	8,486,523	1.13	10.96
Pawning & gold loans	36,524,159	4.81	33,170,643	4.61	10.11	41,304,635	5.20	38,191,423	5.08	8.15
Credit cards	15,799,837	2.08	16,390,482	2.28	(3.60)	15,799,837	1.99	16,390,482	2.18	(3.60)
Money market loans	35,733,782	4.71	8,987,078	1.25	297.61	35,733,782	4.50	8,987,078	1.20	297.61
Factoring	2,242,061	0.30	3,856,292	0.54	(41.86)	2,847,402	0.36	4,857,674	0.65	(41.38)
Others	63,664	0.01	94,039	0.01	(32.30)	551,883	0.07	385,229	0.05	43.26
Gross loans & advances	758,942,290	100.00	719,623,694	100.00	5.46	794,079,619	100.00	751,077,905	100.00	5.73

25.1.2 By Currency

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Sri Lankan Rupee	662,138,698	627,675,910	697,276,027	659,130,121
United States Dollar	87,550,225	86,364,970	87,550,225	86,364,970
Euro	7,640,801	3,881,152	7,640,801	3,881,152
Great Britain Pounds	1,511,990	1,554,603	1,511,990	1,554,603
Australian Dollar	93,768	138,621	93,768	138,621
Japanese Yen	3,922	5,001	3,922	5,001
New Zealand Dollar	2,886	3,437	2,886	3,437
Gross loans & advances	758,942,290	719,623,694	794,079,619	751,077,905

25.1.3 By Product and Currency

As at 31st December	Bank				Group			
	2020 Rs 000	%	2019 Rs 000	%	2020 Rs 000	%	2019 Rs 000	%
Local currency								
Bills of exchange	368,850	0.05	463,168	0.06	368,850	0.05	463,168	0.06
Leasing	35,467,037	4.67	31,898,575	4.43	66,155,491	8.33	61,738,905	8.22
Housing loans	45,860,707	6.04	43,280,931	6.01	45,860,707	5.78	43,280,931	5.76
Export loans	3,612,790	0.48	1,738,969	0.24	3,612,790	0.45	1,738,969	0.23
Import loans	45,157,585	5.95	65,293,369	9.07	45,157,585	5.69	64,090,962	8.53
Refinance loans	22,065,236	2.91	12,100,433	1.68	22,065,236	2.78	12,100,433	1.61
Term loans	329,064,664	43.36	311,781,833	43.33	327,724,035	41.27	308,231,502	41.05
Hire purchase	7,259	-	13,217	-	16,274	-	24,328	-
Loans against investment fund account (IFA)	92,623	0.01	109,523	0.02	92,623	0.01	109,523	0.01
Overdraft	80,856,724	10.65	90,231,915	12.54	80,619,150	10.15	90,088,904	11.99
Staff loans	9,272,970	1.22	8,301,356	1.15	9,416,997	1.19	8,486,523	1.13
Pawning & gold loans	36,524,159	4.81	33,170,643	4.61	41,304,635	5.20	38,191,423	5.09
Credit cards	15,799,837	2.08	16,390,482	2.28	15,799,837	1.99	16,390,482	2.18
Money market loans	35,733,782	4.71	8,987,078	1.25	35,733,782	4.50	8,987,078	1.20
Factoring	2,242,061	0.30	3,856,292	0.54	2,847,402	0.36	4,857,674	0.65
Others	12,414	-	58,126	0.01	500,633	0.06	349,316	0.05
Sub total	662,138,698	87.24	627,675,910	87.22	697,276,027	87.81	659,130,121	87.76
Foreign currency								
Bills of exchange	2,380,228	0.31	2,124,676	0.30	2,380,228	0.30	2,124,676	0.28
Housing loans	1,010,732	0.13	1,075,431	0.15	1,010,732	0.13	1,075,431	0.14
Export loans	24,647,787	3.25	25,674,968	3.57	24,647,787	3.10	25,674,968	3.42
Import loans	8,017,811	1.06	4,243,612	0.59	8,017,811	1.01	4,243,612	0.57
Term loans	54,228,169	7.15	54,236,868	7.54	54,228,169	6.83	54,236,868	7.22
Overdraft	6,467,615	0.85	4,556,316	0.63	6,467,615	0.81	4,556,316	0.61
Others	51,250	0.01	35,913	-	51,250	0.01	35,913	-
Sub total	96,803,592	12.76	91,947,784	12.78	96,803,592	12.19	91,947,784	12.24
Gross loans & advances	758,942,290	100.00	719,623,694	100.00	794,079,619	100.00	751,077,905	100.00

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS AND ADVANCES CONTD.

25.1.4 By Industry

As at 31st December	Bank				Group			
	2020 Rs 000	%	2019 Rs 000	%	2020 Rs 000	%	2019 Rs 000	%
Agriculture & related (Note 25.1.4.1)	62,563,669	8.24	61,140,943	8.50	65,928,176	8.30	64,196,198	8.55
Manufacturing	104,251,199	13.74	92,308,099	12.83	107,616,842	13.55	95,485,661	12.71
Tourism	63,164,745	8.32	58,573,450	8.14	64,717,506	8.15	60,290,894	8.03
Transport	10,044,870	1.32	8,472,789	1.18	13,111,306	1.65	11,114,740	1.48
Construction	124,482,635	16.40	117,881,443	16.38	124,884,085	15.73	119,081,439	15.85
Infrastructure	55,207,272	7.27	52,639,116	7.31	56,470,540	7.11	53,354,359	7.11
Traders	124,026,523	16.34	135,069,714	18.77	130,526,441	16.44	141,292,970	18.81
Financial & business services	53,978,652	7.11	48,461,689	6.73	52,530,755	6.62	44,714,367	5.95
Other services	57,342,712	7.56	55,188,622	7.67	67,401,789	8.49	64,505,476	8.59
Consumers	103,880,013	13.70	89,887,829	12.49	110,892,179	13.96	97,041,801	12.92
Gross loans & advances	758,942,290	100.00	719,623,694	100.00	794,079,619	100.00	751,077,905	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 2020 and 31st December 2019. 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.

25.2 Impairment for Expected Credit Losses - Loans and Advances

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Stage 1				
Balance as at 1st January	3,838,089	2,902,999	3,930,386	2,968,819
Net (reversal)/charge for the year (Note 12)	(158,801)	935,090	(130,139)	961,567
Write-off during the year	-	-	-	-
Interest income accrued on impaired loans & advances	-	-	-	-
Other movements	-	-	-	-
Balance as at 31st December	3,679,288	3,838,089	3,800,247	3,930,386
Stage 2				
Balance as at 1st January	5,516,738	2,105,259	5,642,568	2,214,606
Net charge for the year (Note 12)	5,190,768	3,411,479	5,364,773	3,427,962
Write-off during the year	-	-	-	-
Interest income accrued on impaired loans & advances	-	-	-	-
Other movements	-	-	-	-
Balance as at 31st December	10,707,506	5,516,738	11,007,341	5,642,568
Stage 3				
Balance as at 1st January	20,891,363	15,286,587	22,458,317	16,703,813
Net charge for the year (Note 12)	5,128,048	7,667,983	6,276,614	8,781,281
Write-off during the year	(439,226)	(881,047)	(655,989)	(1,802,407)
Interest income accrued on impaired loans & advances (Note 7.1)	(3,333,638)	(2,809,924)	(3,348,278)	(2,894,134)
Other movements	2,093,702	1,627,764	2,103,585	1,669,764
Balance as at 31st December	24,340,249	20,891,363	26,834,249	22,458,317
Total				
Balance as at 1st January	30,246,190	20,294,845	32,031,271	21,887,238
Net charge for the year (Note 12)	10,160,015	12,014,552	11,511,248	13,170,810
Write-off during the year	(439,226)	(881,047)	(655,989)	(1,802,407)
Interest income accrued on impaired loans & advances (Note 7.1)	(3,333,638)	(2,809,924)	(3,348,278)	(2,894,134)
Other movements	2,093,702	1,627,764	2,103,585	1,669,764
Balance as at 31st December	38,727,043	30,246,190	41,641,837	32,031,271

25.3 Leasing

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Total lease rentals receivable	42,689,814	39,231,807	82,331,172	78,692,348
Unearned lease interest income	(7,222,777)	(7,333,232)	(16,175,681)	(16,953,443)
Gross lease receivable	35,467,037	31,898,575	66,155,491	61,738,905
Impairment for expected credit losses	(1,102,784)	(921,589)	(2,775,751)	(1,671,160)
Net lease receivable	34,364,253	30,976,986	63,379,740	60,067,745
Gross lease receivable within one year (Note 25.3.1)	12,297,167	11,887,996	24,391,671	23,871,937
Gross lease receivable after one year (Note 25.3.2)	23,169,870	20,010,579	41,763,820	37,866,968
	35,467,037	31,898,575	66,155,491	61,738,905

25.3.1 Lease Receivable within One Year

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Total lease rentals receivable within one year from reporting date	16,140,832	15,547,658	32,392,956	31,845,061
Unearned lease interest income	(3,843,665)	(3,659,662)	(8,001,285)	(7,973,124)
Gross lease receivable within one year (Note 25.3)	12,297,167	11,887,996	24,391,671	23,871,937
Impairment for expected credit losses	(438,130)	(343,459)	(1,195,256)	(692,996)
Net lease receivable within one year	11,859,037	11,544,537	23,196,415	23,178,941

25.3.2 Lease Receivable after One Year

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Total lease rentals receivable after one year from reporting date	26,548,982	23,684,149	49,938,216	46,847,287
Unearned lease interest income	(3,379,112)	(3,673,570)	(8,174,396)	(8,980,319)
Gross lease receivable after one year (Note 25.3)	23,169,870	20,010,579	41,763,820	37,866,968
Impairment for expected credit losses	(664,654)	(578,130)	(1,580,495)	(978,164)
Net lease receivable after one year	22,505,216	19,432,449	40,183,325	36,888,804

25.4 Impact of COVID-19 Pandemic on the Staging of Loans and Advances and the Measurement of Impairment for Expected Credit Losses

As explained in Notes 3.4.6.1 and 3.4.6.7, the Group has assessed SICR, exposures to risk elevated sectors, and the need for adjustments to PDs and LGDs by changing the forward looking information. Accordingly, Group has appropriately used allowance for overlays to address uncertainties relating to and potential implications of COVID-19 to better address credit risk and reflect the adequacy of provision for impairment.

The impact of changing the weightages of different macro-economic scenarios during the year is given in Note 50.2.1 (e) along with sensitivity of the weightages to the collective impairment calculation. A breakdown of the loans and advances of the Bank/Group classified under stage 2 is given in Note 50.2.1 (f). An analysis of loans under phase II of the COVID-19 debt moratorium is given in Note 50.2.1(h) along with the impairment for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

26 DEBT AND OTHER INSTRUMENTS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Debentures - quoted (Note 26.1)	911,485	1,817,149	911,485	1,817,149
Sri Lanka Development Bonds	73,521,629	67,297,568	73,521,629	67,297,568
Sri Lanka International Sovereign Bonds	19,361,131	-	19,361,131	-
Leased backed trust certificates (Note 26.2)	5,353,735	6,230,535	5,353,735	6,230,535
Government debt securities - treasury bills	122,060,109	59,931,849	122,060,109	59,942,620
Government debt securities - treasury bonds	56,147,950	21,909,766	56,182,095	21,914,296
Gross debt & other instruments	277,356,039	157,186,867	277,390,184	157,202,168
Impairment for expected credit losses (Note 26.4)	(2,264,467)	(893,372)	(2,264,467)	(893,372)
Net debt & other instruments	275,091,572	156,293,495	275,125,717	156,308,796

26.1 Debentures - Quoted

Bank & Group

As at 31st December	2020 Amortised Cost Rs 000	2019 Amortised Cost Rs 000
Name of the company		
Banks, Finance & Insurance		
Central Finance Company PLC	-	49,284
Commercial Leasing & Finance PLC	512,022	495,159
DFCC Bank PLC	-	224,916
Housing Development Finance Corporation Bank of Sri Lanka	-	202,793
Singer Finance PLC	108,584	247,387
	620,606	1,219,539
Construction & Engineering		
Access Engineering PLC	-	303,707
MTD Walkers PLC	254,784	254,784
	254,784	558,491
Others		
Kotagala Plantations PLC	36,095	39,119
	36,095	39,119
	911,485	1,817,149

26.2 Lease Backed Trust Certificates

Bank & Group

As at 31st December	2020 Amortised Cost Rs 000	2019 Amortised Cost Rs 000
Associated Motor Finance Company PLC	400,899	521,667
Senkadagala Finance PLC	28,439	493,903
LB Finance PLC	2,775,385	3,331,668
Trade Finance & Investment PLC	478,678	912,446
Richard Pieris Finance Ltd	276,534	478,528
Singer Finance PLC	392,179	492,323
Commercial Credit & Finance PLC	1,001,621	-
	5,353,735	6,230,535

26.3 Analysis of Debt and Other Instruments based on Exposure to Credit Risk

Bank

As at 31st December	2020				2019
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Debentures - quoted	620,606	-	290,879	911,485	1,817,149
Sri Lanka Development Bonds	73,521,629	-	-	73,521,629	67,297,568
Sri Lanka International Sovereign Bonds	19,361,131	-	-	19,361,131	-
Leased backed trust certificates	5,353,735	-	-	5,353,735	6,230,535
Government debt securities - treasury bills	122,060,109	-	-	122,060,109	59,931,849
Government debt securities - treasury bonds	56,147,950	-	-	56,147,950	21,909,766
	277,065,160	-	290,879	277,356,039	157,186,867
Impairment for expected credit losses	(1,973,588)	-	(290,879)	(2,264,467)	(893,372)
	275,091,572	-	-	275,091,572	156,293,495

Group

As at 31st December	2020				2019
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Total Rs 000
Debentures - quoted	620,606	-	290,879	911,485	1,817,149
Sri Lanka Development Bonds	73,521,629	-	-	73,521,629	67,297,568
Sri Lanka International Sovereign Bonds	19,361,131	-	-	19,361,131	-
Leased backed trust certificates	5,353,735	-	-	5,353,735	6,230,535
Government debt securities - treasury bills	122,060,109	-	-	122,060,109	59,942,620
Government debt securities - treasury bonds	56,182,095	-	-	56,182,095	21,914,296
	277,099,305	-	290,879	277,390,184	157,202,168
Impairment for expected credit losses	(1,973,588)	-	(290,879)	(2,264,467)	(893,372)
	275,125,717	-	-	275,125,717	156,308,796

NOTES TO THE FINANCIAL STATEMENTS

26 DEBT AND OTHER INSTRUMENTS CONTD.

26.4 Impairment for Expected Credit Losses - Debt and Other Instruments at Amortised Cost

Bank & Group

	2020 Rs 000	2019 Rs 000
Stage 1		
Balance as at 1st January	638,588	551,144
Net charge for the year (Note 12)	1,335,000	87,444
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	1,973,588	638,588
Stage 3		
Balance as at 1st January	254,784	-
Net charge for the year (Note 12)	36,095	254,784
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	290,879	254,784
Total		
Balance as at 1st January	893,372	551,144
Net charge for the year (Note 12)	1,371,095	342,228
Amounts written off during the year	-	-
Other adjustments	-	-
Balance as at 31st December	2,264,467	893,372

26.5 Analysis of Debt and Other Instruments

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
By collateralisation				
Pledged as collateral	3,670,810	17,267,796	2,521,756	17,239,524
Unencumbered	271,420,762	139,025,699	272,603,961	139,069,272
	275,091,572	156,293,495	275,125,717	156,308,796
By currency				
Sri Lankan Rupee	184,167,473	89,598,922	184,201,618	89,614,223
Other currency	90,924,099	66,694,573	90,924,099	66,694,573
	275,091,572	156,293,495	275,125,717	156,308,796

27 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Government securities - treasury bills (Note 27.1)	15,572,080	14,906,551	15,572,080	14,906,551
Government securities - treasury bonds (Note 27.2)	4,176,392	513,973	4,176,392	513,973
Quoted equity security (Note 27.3)	3,528,974	1,871,878	3,528,974	1,871,878
Unquoted equity securities (Note 27.4)	34,349	39,322	34,405	39,378
Sri Lanka International Sovereign Bonds (Note 27.5)	926,008	-	926,008	-
	24,237,803	17,331,724	24,237,859	17,331,780

27.1 Government Securities - Treasury Bills

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Amortised cost	15,565,806	14,877,322
Gain/(loss) from mark to market valuation as at 1st January	29,229	(40,512)
Movement during the year	47,854	83,036
Reclassification to profit or loss	(70,809)	(13,295)
Gain from mark to market valuation as at 31st December	6,274	29,229
Market value	15,572,080	14,906,551

27.2 Government Securities - Treasury Bonds

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Amortised cost	4,161,722	512,893
Gain/(loss) from mark to market valuation as at 1st January	1,080	(50)
Movement during the year	122,199	4,677
Reclassification to profit or loss	(108,609)	(3,547)
Gain from mark to market valuation as at 31st December	14,670	1,080
Market value	4,176,392	513,973

27.3 Quoted Equity Security

Quoted equity security represents the investment in ordinary shares of LankaBangla Finance Ltd in Bangladesh.

Bank & Group

	2020		2019	
	No. of Ordinary Shares	Rs 000	No. of Ordinary Shares	Rs 000
Cost of the investment as at 1st January	48,606,291	1,016,121	48,606,291	1,024,806
Exchange gain/(loss)		23,385		(8,685)
Scrip dividend received during the year	2,430,314	53,196	-	-
Cost of the investment as at 31st December	51,036,605	1,092,702	48,606,291	1,016,121
Gain from mark to market valuation as at 1st January		855,757		1,408,063
Movement during the year		1,560,933		(552,306)
Exchange gain		19,582		-
Gain from mark to market valuation as at 31st December		2,436,272		855,757
Market value		3,528,974		1,871,878

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTD.

27.4 Unquoted Equity Securities

As at 31st December	No. of Ordinary Shares	2020	Market Value	No. of Ordinary Shares	2019	Market Value
		Cost of the Investment			Cost of the Investment	
		Rs 000	Rs 000		Rs 000	Rs 000
Bank						
Name of the company						
LankaBangla Securities Ltd	293,485	55,155	1,216	293,485	53,921	1,189
Credit Information Bureau	1,700	170	170	1,700	170	170
SWIFT	33	12,963	12,963	33	12,963	12,963
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	5,000
Lanka Rating Agency Ltd	1,241,263	15,516	-	1,241,263	15,516	-
		108,804	34,349		107,570	39,322
Loss from mark to market valuation as at 1st January		(68,248)			(68,699)	
Movement during the year		(5,000)			-	
Exchange rate differences		(1,207)			451	
Loss from mark to market valuation as at 31st December		(74,455)			(68,248)	
Market value		34,349			39,322	
Group						
Name of the company						
LankaBangla Securities Ltd	293,485	55,155	1,216	293,485	53,921	1,189
Credit Information Bureau	1,800	226	226	1,800	226	226
SWIFT	33	12,963	12,963	33	12,963	12,963
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	5,000
Lanka Rating Agency Ltd	1,241,263	15,516	-	1,241,263	15,516	-
		108,860	34,405		107,626	39,378
Loss from mark to market valuation as at 1st January		(68,248)			(68,699)	
Movement during the year		(5,000)			-	
Exchange rate differences		(1,207)			451	
Loss from mark to market valuation as at 31st December		(74,455)			(68,248)	
Market value		34,405			39,378	

Directors of the Bank carried out an impairment assessment of the unquoted share investments held by the Bank as at 31st December 2020 and concluded that the carrying value as at that date is a reasonable approximation of the fair value.

27.5 Sri Lanka International Sovereign Bonds

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Amortised cost	1,104,091	-
Gain/(loss) from mark to market valuation as at 1st January	-	-
Movement during the year	-	-
Gross change in market value	(197,610)	-
Impairment for expected credit losses	19,527	-
Loss from mark to market valuation as at 31st December	(178,083)	-
Market value	926,008	-

27.6 Analysis of Financial Assets - Fair Value through Other Comprehensive Income

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
By collateralisation				
Pledged as collateral	-	-	-	-
Unencumbered	24,237,803	17,331,724	24,237,859	17,331,780
	24,237,803	17,331,724	24,237,859	17,331,780
By currency				
Sri Lankan Rupee	19,768,642	15,445,694	19,768,698	15,445,750
Other currency	4,469,161	1,886,030	4,469,161	1,886,030
	24,237,803	17,331,724	24,237,859	17,331,780

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.

NOTES TO THE FINANCIAL STATEMENTS

28 INVESTMENT IN SUBSIDIARIES CONTD.

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 derecognises the assets and liabilities of the subsidiary, any non-controlling interests 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 2020.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Bank in the form of cash dividends or repayment of loans and advances.

All subsidiaries of the Bank have been incorporated in Sri Lanka.

28.1 Details of Subsidiaries

Bank

As at 31st December Subsidiary	Principal Activities	Ownership	2020		Ownership	2019	
			Cost Rs 000	Directors' Valuation Rs 000		Cost Rs 000	Directors' Valuation Rs 000
Siyapatha Finance PLC	Granting leasing, hire purchase, factoring & other loan facilities & accepting deposits	100%	2,222,881	5,125,964	100%	1,379,922	4,015,824
Sampath Centre Ltd	Renting of commercial property	100%	651,225	5,141,550	100%	615,833	4,929,701
SC Securities (Pvt) Ltd	Stock broking	100%	178,921	228,093	100%	178,921	119,946
Sampath Information Technology Solutions Ltd	Software development, renting of IT equipment & IT resource outsourcing & consultancy	100%	297,747	408,415	100%	279,000	341,293
			3,350,774			2,453,676	
Impairment provision as at 1st January			(58,975)			(65,194)	
Movement during the year (Note 12)			58,975			6,219	
Impairment provision as at 31st December			-			(58,975)	
Net investment in subsidiaries			3,350,774			2,394,701	

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 2020. The Bank's subsidiary company, SC Securities (Pvt) Ltd has reported profits for the last two consecutive years and it reported a positive net asset position as at 31st December 2020. Accordingly, the Bank reversed the total impairment provision of Rs 59 Mn booked as at 31st December 2019 against the investment in SC Securities (Pvt) Ltd during the year.

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 & 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 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT CONTD.

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 de-recognition 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. There were no capitalised borrowing costs related to the acquisition of property plant & equipment during the year.

Rates of depreciation for each category of property, plant and equipment are given in Note 14, 'Depreciation and Amortisation Expenses'.

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	2020 Total Rs 000	2019 Total Rs 000
Cost/Valuation								
Balance as at 1st January	5,870,275	1,213,163	4,268,038	2,299,089	354,311	214,151	14,219,027	13,301,270
Additions & improvements	16,502	25,849	286,071	123,586	25,038	1,341	478,387	864,047
Disposals during the year	-	(12,256)	(228,994)	(109,468)	(13,338)	-	(364,056)	(60,170)
Written off during the year	-	-	(1,469)	(2,256)	(1,236)	-	(4,961)	-
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	-	-	(107,297)
Revaluation surplus	-	-	-	-	-	-	-	816,506
Transfers/adjustments	-	-	-	-	-	-	-	(595,329)
Cost/valuation as at 31st December	5,886,777	1,226,756	4,323,646	2,310,951	364,775	215,492	14,328,397	14,219,027
Accumulated Depreciation								
Balance as at 1st January	-	1,112,004	2,497,996	1,753,540	227,950	161,171	5,752,661	5,383,277
Charge for the year (Note 14)	45,813	46,635	487,493	173,326	45,609	13,978	812,854	779,064
Disposals during the year	-	(12,256)	(225,421)	(108,327)	(13,338)	-	(359,342)	(54,613)
Written off during the year	-	-	(1,093)	(2,048)	(920)	-	(4,061)	-
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	-	-	(107,297)
Transfers/adjustments	-	-	-	-	-	-	-	(247,770)
Accumulated depreciation as at 31st December	45,813	1,146,383	2,758,975	1,816,491	259,301	175,149	6,202,112	5,752,661
Net book value as at 31st December 2020	5,840,964	80,373	1,564,671	494,460	105,474	40,343	8,126,285	
Net book value as at 31st December 2019	5,870,275	101,159	1,770,042	545,549	126,361	52,980		8,466,366

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	2020			2019		
	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	1,207,861	282,207	925,654	1,191,359	252,083	939,276
Total	2,114,170	282,207	1,831,963	2,097,668	252,083	1,845,585

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	2020 Total Rs 000	2019 Total Rs 000
Cost/Valuation									
Balance as at 1st January	10,424,624	1,213,163	5,893,417	2,529,706	579,635	222,679	1,956,428	22,819,652	19,850,225
Additions & improvements	16,502	25,849	433,107	257,424	92,115	1,340	614,739	1,441,076	2,167,541
Disposals during the year	-	(12,256)	(274,718)	(111,227)	(13,470)	(2,743)	-	(414,414)	(96,724)
Written off during the year	-	-	(1,480)	(2,846)	(1,236)	-	-	(5,562)	(38,341)
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	-	-	-	(274,955)
Revaluation surplus	-	-	-	-	-	-	-	-	1,211,906
Cost/valuation as at 31st December	10,441,126	1,226,756	6,050,326	2,673,057	657,044	221,276	2,571,167	23,840,752	22,819,652
Accumulated Depreciation									
Balance as at 1st January	-	1,112,004	3,616,743	1,857,375	362,525	168,954	-	7,117,601	6,248,427
Charge for the year (Note 14)	129,643	46,635	773,939	202,266	79,076	14,170	-	1,245,729	1,237,155
Disposals during the year	-	(12,256)	(271,078)	(109,838)	(13,422)	(2,741)	-	(409,335)	(88,409)
Written off during the year	-	-	(1,100)	(2,638)	(920)	-	-	(4,658)	(4,617)
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	-	-	-	(274,955)
Accumulated depreciation as at 31st December	129,643	1,146,383	4,118,504	1,947,165	427,259	180,383	-	7,949,337	7,117,601
Net book value as at 31st December 2020	10,311,483	80,373	1,931,822	725,892	229,785	40,893	2,571,167	15,891,415	-
Net book value as at 31st December 2019	10,424,624	101,159	2,276,674	672,331	217,110	53,725	1,956,428	15,702,051	-

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	2020			2019		
	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	1,245,388	-	1,245,388	1,245,388	-	1,245,388
Freehold buildings	1,891,160	511,476	1,379,684	1,874,658	464,270	1,410,388
Total	3,136,548	511,476	2,625,072	3,120,046	464,270	2,655,776

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 2019	
			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 P B Kalugalagedara											
No. 261, Galle Road, Ratmalana	31.12.2019	Market Comparable Method	30.00	21.14	49.00	21.00	19.00	(0.14)	18.86	-	18.86
Valuer - Mr C Wellappili											
No. 05, Wakwella Road, Galle	31.12.2019	Market Comparable Method	104.88	31.36	104.88	33.41	-	2.05	2.05	-	2.05
No. 42, Anguruwatota Road, Horana	31.12.2019	Market Comparable Method	41.50	-	51.87	-	10.37	-	10.37	-	10.37
No. 81 & 81 A, High Level Road, Maharagama	31.12.2019	Market Comparable Method	67.30	32.91	80.76	40.23	13.46	7.32	20.78	-	20.78
Valuer - Mr G M Gamage											
No. 69, Main Street, Deniyaya	31.12.2019	Market Comparable Method	21.90	23.79	35.04	27.15	13.14	3.36	16.50	3.36	13.14
No. 117, Hapugahalawatta, Ihalagama Road, Deniyaya	31.12.2019	Market Comparable Method	0.60	-	1.50	-	0.90	-	0.90	0.33	0.57
No. 25-27, Main Street, Tissamaharama	31.12.2019	Market Comparable Method	17.76	31.09	27.75	41.25	9.99	10.16	20.15	-	20.15
Valuer - Mr Sarath Fernando											
No. 7/5, Giriulla Road, Alawwa	31.12.2019	Market Comparable Method	20.50	22.42	24.70	25.80	4.20	3.38	7.58	-	7.58
No. 150, Colombo Road, Gampaha	31.12.2019	Market Comparable Method	62.00	37.84	68.00	42.00	6.00	4.16	10.16	-	10.16
No. 312/A, Galle Road, Kalutara	31.12.2019	Market Comparable Method	75.00	63.22	82.00	71.00	7.00	7.78	14.78	-	14.78
No. 187, Madawala Road, Katugastota	31.12.2019	Market Comparable Method	69.60	61.56	81.00	65.00	11.40	3.44	14.84	-	14.84
No. 31 & 33, Negombo Road, Kurunegala	31.12.2019	Market Comparable Method	130.50	89.07	187.00	102.00	56.50	12.93	69.43	-	69.43
No. 475, Elvitigala Mawatha, Narahenpita	31.12.2019	Market Comparable Method	94.00	60.22	104.00	65.00	10.00	4.78	14.78	-	14.78
No. 408, Main Street, Negombo	31.12.2019	Market Comparable Method	103.75	126.71	124.00	128.00	20.25	1.29	21.54	-	21.54
No. 371, Old Moor St, Masangasweediya, Colombo 12	31.12.2019	Market Comparable Method	132.00	22.25	192.00	25.00	60.00	2.75	62.75	-	62.75
No. 373 A, Galle Road, Panadura	31.12.2019	Market Comparable Method	61.50	47.87	75.00	51.00	13.50	3.13	16.63	-	16.63
No. 85/87, Panchikawatta Road, Colombo 10	31.12.2019	Market Comparable Method	66.00	38.06	78.00	74.00	12.00	35.94	47.94	-	47.94
No. 180(part), Bodiraja Mawatha, Pettah	31.12.2019	Income Basis	-	61.27	-	103.00	-	41.73	41.73	-	41.73
No. 61A, Moratuwa Road, Piliyandala	31.12.2019	Market Comparable Method	65.00	32.28	75.00	42.00	10.00	9.72	19.72	-	19.72
No. 1/87, Victoria Range, Digana, Kandy	31.12.2019	Market Comparable Method	7.00	9.85	10.00	11.80	3.00	1.95	4.95	-	4.95
No. 256/1, Negombo Road, Wattala	31.12.2019	Market Comparable Method	89.00	37.84	106.00	43.00	17.00	5.16	22.16	1.74	20.42
No. 591, Galle Road, Wellawatta	31.12.2019	Market Comparable Method	118.00	55.14	139.00	57.00	21.00	1.86	22.86	-	22.86
Valuer - Messrs Prathap Chartered Valuation & Consultancy (Pvt) Ltd											
No. 1022, Maradana Road, Borella "Nuwarawewakele", Maithreepala	31.12.2019	Market Comparable Method	246.80	89.49	296.16	91.29	49.36	1.80	51.16	-	51.16
Senanayake Mw, Anuradhapura	31.12.2019	Market Comparable Method	171.70	65.54	175.74	64.74	4.04	(0.80)	3.24	(0.80)	4.04
No. 29, Cross Street, Kandy	31.12.2019	Market Comparable Method	257.00	92.11	282.70	94.33	25.70	2.22	27.92	-	27.92
No. 05, Hakmana Road, Matara	31.12.2019	Market Comparable Method	173.74	37.96	185.64	37.99	11.90	0.03	11.93	-	11.93

Valuer/Location	Date of Valuation*	Method of Valuation	Net Book Value before Revaluation		Revaluation Amount		Revaluation Gain/(Loss)			Revaluation Gain/(Loss) Recognised in 2019	
			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											
Abeygunawardana											
No. 103, Dharmapala Mawatha, Hunupitiya, Colombo 7	31.12.2019	Market Comparable Method	1,492.50	65.80	1,731.30	67.20	238.80	1.40	240.20	-	240.20
Valuer - Mr A A M Fathihu											
No. 202, Main Road, Attidiya	31.12.2019	Market Comparable Method	50.38	27.08	50.76	27.29	0.38	0.21	0.59	-	0.59
Total - Bank			3,769.91	1,283.87	4,418.80	1,451.48	648.89	167.61	816.50	4.63	811.87
Subsidiaries											
Valuer - Mr P B Kalugalagedara											
Sampath Centre Ltd - No. 110, Sir James Peiris Mawatha, Colombo 2	31.12.2019	Income Basis	2,367.00	1,508.95	2,677.50	1,508.95	310.50	-	310.50	-	310.50
Valuer - Mr C Wellappili											
** Siyapatha Finance PLC - No. 534, Baudhaloka Mawatha, Colombo 08	31.12.2019	Market Comparable Method	283.00	-	367.90	-	84.90	-	84.90	-	84.90
Total - Group			6,419.91	2,792.82	7,464.20	2,960.43	1,044.29	167.61	1,211.90	4.63	1,207.27

* The Group has not revalued its freehold lands and buildings during this year for consolidated accounting purposes, on the basis that changes in property prices were not significant compared to the previous year.

** Siyapatha building is under work-in-progress as at 31st December 2020. Cost incurred up to the reporting date on the building is included under capital work-in-progress of the Group.

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	2020 Net Book Value Rs 000	As a % of Total NBV	2019 Net Book Value Rs 000
Bank										
1 Alawwa No. 7/5, Giriulla Road, Alawwa	20.7	8,190	1	24,700	26,089	50,789	1,440	49,349	0.5%	50,500
2 Anuradhapura "Nuwarawewakele", Maithreepala Senanayake Mw, Anuradhapura	40.4	8,929	1	175,740	64,735	240,475	2,097	238,378	2.3%	240,475
3 Attidiya No. 202, Main Road, Attidiya	12.7	6,064	1	50,760	27,288	78,048	579	77,469	0.8%	78,048
4 Borella No. 1022, Maradana Road, Borella	24.7	15,876	1	296,160	91,287	387,447	2,956	384,491	3.7%	387,447
5 Deniyaya No. 69, Main Street, Deniyaya	17.5	5,325	1	35,040	27,155	62,195	595	61,600	0.6%	62,195
6 Deniyaya No. 117, Hapugahawalawatta, Ihalagama Road, Deniyaya	40.0	Bare Land	-	1,500	-	1,500	-	1,500	0.0%	1,500
7 Dharmapala Mawatha No. 103, Dharmapala Mawatha, Hunupitya, Colombo 7	119.4	7,300	1	1,731,300	67,902	1,799,202	1,880	1,797,322	17.4%	1,798,500
8 Galle No. 05, Wakwella Road, Galle	17.5	5,400	1	104,880	33,412	138,292	1,045	137,247	1.3%	138,292
9 Gampaha No. 150, Colombo Road, Gampaha	25.0	5,680	1	68,000	42,000	110,000	1,053	108,947	1.1%	110,000
10 Horana No. 42, Anguruwatota Road, Horana	20.8	Bare Land	-	51,875	-	51,875	-	51,875	0.5%	51,875
11 Kalutara No. 312/A, Galle Road, Kalutara	30.0	8,715	1	82,000	71,562	153,562	1,881	151,681	1.5%	153,000
12 Kandy Metro No. 29, Cross Street, Kandy	25.7	17,398	1	282,700	94,331	377,031	3,377	373,654	3.6%	377,031
13 Katugastota No. 187, Madawala Road, Katugastota	23.2	7,811	1	81,000	65,000	146,000	1,714	144,286	1.4%	146,000
14 Kurunegala No. 31 & 33, Negombo Road, Kurunegala	37.4	16,202	1	187,000	102,000	289,000	2,925	286,075	2.8%	289,000
15 Maharagama No. 81 & 81 A, High Level Road, Maharagama	13.5	6,310	1	80,760	40,226	120,986	1,258	119,728	1.2%	120,986
16 Matara No. 05, Hakmana Road, Matara	47.6	11,431	2	185,640	37,986	223,626	1,360	222,266	2.2%	223,626
17 Narahenpita No. 475, Elvitigala Mawatha, Narahenpita	18.9	9,600	1	104,000	65,000	169,000	1,812	167,188	1.6%	169,000

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	2020 Net Book Value Rs 000	As a % of Total NBV	2019 Net Book Value Rs 000
18 Negombo No. 408, Main Street, Negombo	41.5	15,088	1	124,000	140,500	264,500	3,499	261,001	2.5%	252,000
19 Old Moor Street No. 371, Old Moor St, Masangasweediya, Colombo 12	24.0	10,180	1	192,000	25,000	217,000	2,505	214,495	2.1%	217,000
20 Panadura No. 373 A, Galle Road, Panadura	27.3	6,020	1	75,000	51,000	126,000	1,463	124,537	1.2%	126,000
21 Panchikawatta No. 85/87, Panchikawatta Road, Colombo 10	9.8	14,680	1	78,000	74,000	152,000	2,469	149,531	1.5%	152,000
22 Pettah No. 180 (part), Bodiraja Mawatha, Pettah	-	5,124	1	-	104,655	104,655	4,143	100,512	1.0%	103,000
23 Piliyandala No. 61A, Moratuwa Road, Piliyandala	37.5	8,138	1	75,000	42,575	117,575	1,215	116,360	1.1%	117,000
24 Ratmalana No. 261, Galle Road, Ratmalana	10.9	5,520	1	49,000	21,000	70,000	602	69,398	0.7%	70,000
25 Tissamaharama No. 25-27, Main Street, Tissamaharama	22.2	10,815	1	27,750	41,250	69,000	945	68,055	0.7%	69,000
26 Victoria Range No. 1/87, Victoria Range, Digana, Kandy	20.1	2,320	1	10,000	11,800	21,800	358	21,442	0.2%	21,800
27 Wattala No. 256/1, Negombo Road, Wattala	42.5	5,314	1	106,000	43,000	149,000	1,134	147,866	1.4%	149,000
28 Wellawatte No. 591, Galle Road, Wellawatta	21.5	7,776	1	139,000	57,219	196,219	1,508	194,711	1.9%	196,000
Total - Bank	792.3	231,206	27	4,418,805	1,467,972	5,886,777	45,813	5,840,964	56.6%	5,870,275
Subsidiaries										
Sampath Centre Ltd										
29 Slave Island * No. 110, Sir James Peiris Mawatha, Colombo 02	153.6	216,174	1	2,677,500	1,508,948	4,186,448	83,830	4,102,618	39.8%	4,186,448
Siyapatha Finance PLC										
30 Borella No. 534, Bauddhaloka Mawatha, Colombo 08	29.1	WIP	-	367,901	-	367,901	-	367,901	3.6%	367,901
Total - Group	975.0	447,380	28	7,464,206	2,976,920	10,441,126	129,643	10,311,483	100.0%	10,424,624

* Additional 6 floors are under work-in-progress as at 31st December 2020.

NOTES TO THE FINANCIAL STATEMENTS

29 PROPERTY, PLANT AND EQUIPMENT CONTD.

29.5(a) Improvements to Leasehold Properties

Bank & Group

As at 31st December	Cost of Buildings Rs 000	2020 Accumulated Depreciation Rs 000	Net Book Value Rs 000	2019 Net Book Value Rs 000
01 - 05 years	235,176	225,908	9,268	8,979
06 - 10 years	662,935	608,090	54,845	66,631
Above 10 years	328,645	312,385	16,260	25,549
Total	1,226,756	1,146,383	80,373	101,159

29.5(b) Fully Depreciated Property, Plant and Equipment

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Asset class				
Improvements to leasehold properties	1,045,581	948,282	1,045,581	948,282
Computer equipment & software	2,620,794	2,532,199	2,800,726	2,618,610
Office equipment	1,187,775	1,066,059	1,211,319	1,082,506
Fixtures & fittings	142,263	133,844	228,931	197,112
Motor vehicles	108,889	98,728	113,708	105,216
Total	5,105,302	4,779,112	5,400,265	4,951,726

29.5(c) Temporarily Idle Property, Plant and Equipment - Bank & Group

The Bank holds Horana land worth of Rs 51.9 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 is subjected to NBRO (National Building Research Organisation) certification.

29.5(d) Property, Plant and Equipment Retired from Active Use - Bank & Group

There were Rs 8.6 Mn (net book value) worth of property, plant and equipment retired from active use as at 31st December 2020 pertaining to the Bank's subsidiary, Sampath Centre Limited (2019: NIL).

29.5(e) Title Restriction on Property, Plant and Equipment - Bank & Group

There were no restrictions on the title of property, plant and equipment as at 31st December 2020 (2019: 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 (2019: NIL).

29.5(g) Compensation from Third Parties for Items of Property, Plant and Equipment - Bank & Group

There were no compensations received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2019: 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.

Goodwill

Goodwill, if any that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at initial recognition in accordance with Note 3.2.

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 de-recognition 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 2020 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	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Cost				
Balance as at 1st January	2,833,784	2,586,274	3,043,032	2,806,758
Additions & improvements	199,307	247,510	201,948	248,674
Disposal/write off during the year	(13,096)	-	(13,096)	(12,400)
Cost as at 31st December	3,019,995	2,833,784	3,231,884	3,043,032
Accumulated Amortisation				
Balance as at 1st January	1,838,647	1,448,852	1,987,691	1,581,239
Charge for the year (Note 14)	440,811	389,795	465,582	414,287
Disposal/write off during the year	(13,078)	-	(13,078)	(7,835)
Accumulated amortisation as at 31st December	2,266,380	1,838,647	2,440,195	1,987,691
Net book value as at 31st December	753,615	995,137	791,689	1,055,341

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	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Cost				
Balance as at 1st January	5,572,188	595,329	4,082,329	-
Effect of adoption of SLFRS 16	-	4,106,217	-	3,071,919
Restated balance as at 1st January	5,572,188	4,701,546	4,082,329	3,071,919
Additions & improvements	421,387	870,642	504,537	1,010,410
Cost as at 31st December	5,993,575	5,572,188	4,586,866	4,082,329
Accumulated Amortisation				
Balance as at 1st January	1,512,969	247,770	874,063	-
Charge for the year (Note 14)	1,200,440	1,265,199	807,142	874,063
Accumulated amortisation as at 31st December	2,713,409	1,512,969	1,681,205	874,063
Net book value as at 31st December	3,280,166	4,059,219	2,905,661	3,208,266

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	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	4,423,702	439,988	3,449,043	-
Effect of adoption of SLFRS 16 as at 1st January	-	4,155,721	-	3,183,239
Restated balance as at 1st January	4,423,702	4,595,709	3,449,043	3,183,239
Additions	421,387	870,642	504,537	1,010,410
Accretion of interest (Note 7.2)	470,735	620,740	295,941	368,897
Payments	(1,536,189)	(1,663,389)	(1,038,729)	(1,113,503)
Balance as at 31st December (Note 40)	3,779,635	4,423,702	3,210,792	3,449,043

31.1.1 Maturity Analysis of Lease Liability

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Less than 1 year	1,690,636	1,737,036	1,372,370	1,252,358
1 to 5 years	1,755,902	2,327,645	1,469,309	1,772,422
More than 5 years	333,097	359,021	369,113	424,263
	3,779,635	4,423,702	3,210,792	3,449,043

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 2020 would have (decreased)/increased the lease liability by approximately Rs 69 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 12 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 2020 would have increased by Rs 1,149 Mn with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Bank by Rs 93 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.

NOTES TO THE FINANCIAL STATEMENTS

32 DEFERRED TAX (ASSETS)/LIABILITIES

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Recognised under assets	(4,634,040)	(3,737,512)	(4,653,496)	(3,738,064)
Recognised under liabilities	-	-	1,485,302	1,405,568
	(4,634,040)	(3,737,512)	(3,168,194)	(2,332,496)

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.

32.1 Movement in Deferred Tax Liabilities/(Assets)

Bank

	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	Rs 000
Balance as at 1st January 2019	470,686	838,936	(3,079,358)	936,855	(528,031)	-	451,407	(79,838)	(989,343)
Profit or loss (Note 16)	29,102	(319,539)	(2,018,064)	-	(84,841)	-	-	(35,330)	(2,428,672)
Other comprehensive income	-	-	-	227,325	(409,588)	-	(137,234)	-	(319,497)
Balance as at 31st December 2019	499,788	519,397	(5,097,422)	1,164,180	(1,022,460)	-	314,173	(115,168)	(3,737,512)
Balance as at 1st January 2020	499,788	519,397	(5,097,422)	1,164,180	(1,022,460)	-	314,173	(115,168)	(3,737,512)
Profit or loss (Note 16)	(9,731)	(22,793)	(352,277)	-	(104,001)	-	-	(10,822)	(499,624)
Other comprehensive income	-	-	-	-	(797,586)	-	400,682	-	(396,904)
Balance as at 31st December 2020	490,057	496,604	(5,449,699)	1,164,180	(1,924,047)	-	714,855	(125,990)	(4,634,040)

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	Rs 000
Balance as at 1st January 2019	446,864	1,438,510	(3,081,578)	1,980,671	(543,141)	(27,338)	451,407	(118,039)	547,356
Profit or loss (Note 16)	(26,690)	(526,233)	(2,051,926)	-	(90,110)	(9,074)	-	37,825	(2,666,208)
Other comprehensive income	-	-	-	338,037	(414,447)	-	(137,234)	-	(213,644)
Balance as at 31st December 2019	420,174	912,277	(5,133,504)	2,318,708	(1,047,698)	(36,412)	314,173	(80,214)	(2,332,496)
Balance as at 1st January 2020	420,174	912,277	(5,133,504)	2,318,708	(1,047,698)	(36,412)	314,173	(80,214)	(2,332,496)
Profit or loss (Note 16)	111,565	(211,750)	(157,636)	-	(110,621)	18,486	-	(87,919)	(437,875)
Other comprehensive income	-	-	-	-	(798,505)	-	400,682	-	(397,823)
Balance as at 31st December 2020	531,739	700,527	(5,291,140)	2,318,708	(1,956,824)	(17,926)	714,855	(168,133)	(3,168,194)

33 OTHER ASSETS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Pre-paid expenses	490,771	717,603	552,975	795,943
Reimbursement under special senior citizen deposit scheme	2,892,315	4,954,403	2,892,315	4,954,403
Other debtors	2,329,086	2,541,680	3,290,972	3,120,332
Pre-paid staff cost (Note 33.1)	3,227,200	3,328,078	3,243,617	3,346,470
Refundable deposits	11,575	12,270	41,874	35,160
Commission receivable on financial guarantees (Note 33.2)	63,046	79,071	63,046	79,071
	9,013,993	11,633,105	10,084,799	12,331,379

33.1 The Movement in the Pre-Paid Staff Cost

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	3,328,078	2,968,127	3,346,470	2,991,843
Add: Adjustment for new grants (net of settlements)	190,405	665,567	204,847	669,399
Charge to personnel expenses	(291,283)	(305,616)	(307,700)	(314,772)
Balance as at 31st December	3,227,200	3,328,078	3,243,617	3,346,470

33.2 Commission Receivable on Financial Guarantees

Bank & Group

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	79,071	93,012
Interest income	6,145	7,376
Commission received	(22,170)	(21,317)
Balance as at 31st December	63,046	79,071

34 DUE TO BANKS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Local Currency Deposits				
Demand deposits	58,539	80,587	58,539	80,587
Savings deposits	583	568	583	568
Term deposits	25,777	-	25,777	-
Total local currency deposits	84,899	81,155	84,899	81,155
Foreign Currency Deposits				
Demand deposits	1,063,353	969,020	1,063,353	969,020
Total foreign currency deposits	1,063,353	969,020	1,063,353	969,020
Total deposits	1,148,252	1,050,175	1,148,252	1,050,175
Unfavourable balances with local & foreign banks	374,150	461,490	375,081	517,799
	1,522,402	1,511,665	1,523,333	1,567,974

NOTES TO THE FINANCIAL STATEMENTS

35 DUE TO DEPOSITORS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Local Currency Deposits				
Demand deposits	49,024,743	31,425,842	49,004,248	31,415,117
Saving deposits	265,552,863	193,430,471	265,158,008	193,430,628
Call deposits	148,798	65,370	148,798	65,370
Term deposits	452,056,465	404,651,874	469,245,653	417,601,592
Certificates of deposits	13,758,250	13,039,590	13,758,250	13,039,590
Margin deposits	1,625,527	1,037,075	1,625,527	1,037,075
Total local currency deposits	782,166,646	643,650,222	798,940,484	656,589,372
Foreign Currency Deposits				
Demand deposits	4,940,470	3,611,703	4,940,470	3,611,703
Saving deposits	28,326,652	23,671,412	28,326,652	23,671,412
Term deposits	70,021,326	46,020,700	70,021,326	46,020,700
Margin deposits	269,807	296,455	269,807	296,455
Total foreign currency deposits	103,558,255	73,600,270	103,558,255	73,600,270
Total deposits	885,724,901	717,250,492	902,498,739	730,189,642

35.1 Analysis of Due to Depositors

35.1.1 By Product

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Demand deposits	53,965,213	35,037,545	53,944,718	35,026,820
Saving deposits	293,879,515	217,101,883	293,484,660	217,102,040
Call deposits	148,798	65,370	148,798	65,370
Term deposits	522,077,791	450,672,574	539,266,979	463,622,292
Certificates of deposits	13,758,250	13,039,590	13,758,250	13,039,590
Margin deposits	1,895,334	1,333,530	1,895,334	1,333,530
Total deposits	885,724,901	717,250,492	902,498,739	730,189,642

35.1.2 By Currency

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Sri Lankan Rupee	782,166,646	643,650,222	798,940,484	656,589,372
United States Dollar	94,474,411	67,289,186	94,474,411	67,289,186
Euro	2,194,242	1,401,722	2,194,242	1,401,722
Great Britain Pounds	2,430,053	2,123,935	2,430,053	2,123,935
Australian Dollar	2,568,032	1,726,061	2,568,032	1,726,061
Japanese Yen	862,037	229,896	862,037	229,896
New Zealand Dollar	474,983	398,037	474,983	398,037
Singapore Dollar	160,834	109,710	160,834	109,710
Others	393,663	321,723	393,663	321,723
Total deposits	885,724,901	717,250,492	902,498,739	730,189,642

35.1.3 Current Accounts and Savings Accounts (CASA)

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
CASA				
Local currency deposits	314,636,728	224,937,468	314,221,378	224,926,900
Foreign currency deposits	34,330,475	28,252,135	34,330,475	28,252,135
	348,967,203	253,189,603	348,551,853	253,179,035
Total Deposits				
Due to other customers	885,724,901	717,250,492	902,498,739	730,189,642
Due to banks - Demand, savings & term deposits (Note 34)	1,148,252	1,050,175	1,148,252	1,050,175
	886,873,153	718,300,667	903,646,991	731,239,817
CASA as a percentage (%) of total deposits	39.3	35.2	38.6	34.6

36 DUE TO OTHER BORROWERS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Call borrowings	-	4,208,565	-	4,208,565
Term borrowings	-	-	7,818,911	11,649,437
Foreign currency borrowings	33,850,761	46,277,417	33,850,761	46,277,417
Refinance borrowings	15,201,834	5,175,747	15,201,834	5,175,747
	49,052,595	55,661,729	56,871,506	67,311,166

The Bank/Group has not had any default of principal and interest with regard to any liability during 2019 and 2020.

37 DUE TO DEBT SECURITIES HOLDERS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Redeemable debentures (Note 37.1)	28,031,975	35,115,290	33,872,527	38,844,827
Long term bond (Note 37.2)	2,758,032	2,526,759	2,758,032	2,526,759
Securitisation	-	-	447,924	-
Total	30,790,007	37,642,049	37,078,483	41,371,586
Due within 1 year	7,531,975	8,615,290	8,960,451	8,766,817
Due after 1 year	23,258,032	29,026,759	28,118,032	32,604,769
Total	30,790,007	37,642,049	37,078,483	41,371,586
Senior debt	-	-	3,229,202	1,119,077
Subordinated debt	30,790,007	37,642,049	33,849,281	40,252,509
Total	30,790,007	37,642,049	37,078,483	41,371,586

NOTES TO THE FINANCIAL STATEMENTS

37 DUE TO DEBT SECURITIES HOLDERS CONTD.

37.1 Redeemable Debentures

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	35,115,290	34,297,696	38,844,827	38,957,631
Debentures issued	-	7,000,000	2,000,000	8,500,000
Debentures redeemed	(7,000,000)	(7,000,000)	(7,000,000)	(9,421,990)
	28,115,290	34,297,696	33,844,827	38,035,641
Interest accrued during the year	4,029,402	4,510,663	4,614,388	5,085,020
Interest paid	(4,112,717)	(3,693,069)	(4,586,688)	(4,275,834)
Balance as at 31st December	28,031,975	35,115,290	33,872,527	38,844,827

Details of Debentures Issued	Note	No. of Debentures	Face Value Rs 000	Amortised Cost	
				2020 Rs 000	2019 Rs 000
Debentures issued by the Bank					
Debentures issued in 2015	37.1.1	70,000,000	7,000,000	-	7,083,234
Debentures issued in 2016	37.1.2	60,000,000	6,000,000	6,426,431	6,426,512
Debentures issued in 2017	37.1.3	60,000,000	6,000,000	6,022,603	6,022,603
Debentures issued in 2018	37.1.4	75,000,000	7,500,000	7,764,555	7,764,555
Debentures issued in 2019	37.1.5	70,000,000	7,000,000	7,818,386	7,818,386
Total debentures issued by the Bank				28,031,975	35,115,290
Debentures issued by the Subsidiary, Siyapatha Finance PLC					
Debentures issued in 2016	37.1.6	10,780,100	1,078,010	1,119,476	1,119,077
Debentures issued in 2017	37.1.7	10,000,000	1,000,000	1,030,822	1,030,479
Debentures issued in 2019	37.1.8	15,000,000	1,500,000	1,580,528	1,579,981
Debentures issued in 2020	37.1.9	20,000,000	2,000,000	2,109,726	-
Total debenture issued by the Subsidiary				5,840,552	3,729,537
Total debentures issued by the Group				33,872,527	38,844,827

Debentures Issued by the Bank:**37.1.1 Debentures Issued in 2015**

Rated unsecured subordinated redeemable 5 year debentures of Rs 100/- each issued in 2015. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
67,412,700	6,741,270	-	6,821,722	18-Nov-15	18-Nov-20	Fixed - 9.90% per annum payable semi annually
2,587,300	258,730	-	261,512	18-Nov-15	18-Nov-20	Floating rate is equivalent to the six months treasury bill rate (net) plus 1.25 % per annum payable semi-annually
70,000,000	7,000,000	-	7,083,234			

The Bank has redeemed the above debenture on 18th November 2020.

37.1.2 Debentures Issued in 2016

Rated unsecured subordinated redeemable 5 year debentures of Rs 100/- each issued in 2016. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
59,526,500	5,952,650	6,378,917	6,378,917	10-Jun-16	10-Jun-21	Fixed - 12.75% per annum payable annually
473,500	47,350	47,514	47,595	10-Jun-16	10-Jun-21	Floating rate is equivalent to the six months treasury bill rate (gross) plus 1 % per annum payable semi-annually
60,000,000	6,000,000	6,426,431	6,426,512			

37.1.3 Debentures Issued in 2017

Basel III Compliant - Tier II listed rated unsecured subordinated redeemable 5 year debentures with a non - viability conversion, at a par value of Rs 100/- each issued in 2017. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
60,000,000	6,000,000	6,022,603	6,022,603	21-Dec-17	21-Dec-22	Fixed - 12.50% per annum payable semi - annually
60,000,000	6,000,000	6,022,603	6,022,603			

NOTES TO THE FINANCIAL STATEMENTS

37 DUE TO DEBT SECURITIES HOLDERS CONTD.

37.1.4 Debentures Issued in 2018

Basel III Compliant - Tier II listed rated unsecured subordinated redeemable 5 year debentures with a non - viability conversion, at a par value of Rs 100/- each issued in 2018. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
75,000,000	7,500,000	7,764,555	7,764,555	20-Mar-18	20-Mar-23	Fixed - 12.50% per annum payable semi - annually
75,000,000	7,500,000	7,764,555	7,764,555			

37.1.5 Debentures Issued in 2019

Basel III Compliant - Tier II listed rated unsecured subordinated redeemable 5 year debentures with a non - viability conversion, at a par value of Rs 100/- each issued in 2019. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
70,000,000	7,000,000	7,818,386	7,818,386	28-Feb-19	28-Feb-24	Fixed - 13.90% per annum payable annually
70,000,000	7,000,000	7,818,386	7,818,386			

Debentures Issued by the Subsidiary, Siyapatha Finance PLC:**37.1.6 Debentures Issued in 2016**

Rated unsecured senior transferable fully paid redeemable in 5 year debentures of Rs 100/- each issued in 2016. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
10,780,100	1,078,010	1,119,476	1,119,077	20-Sep-16	20-Sep-21	Fixed - 13.50% per annum payable annually
10,780,100	1,078,010	1,119,476	1,119,077			

37.1.7 Debentures Issued in 2017

Rated unsecured subordinated transferable fully paid redeemable 5 year debentures of Rs 100/- each issued in 2017. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
10,000,000	1,000,000	1,030,822	1,030,479	04-Oct-17	04-Oct-22	Fixed - 12.50% per annum payable annually
10,000,000	1,000,000	1,030,822	1,030,479			

37.1.8 Debentures Issued in 2019

Rated unsecured subordinated redeemable 5 year debentures of Rs 100/- each issued in 2019. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
15,000,000	1,500,000	1,580,528	1,579,981	08-Aug-19	08-Aug-24	Fixed - 13.33% per annum payable annually
15,000,000	1,500,000	1,580,528	1,579,981			

37.1.9 Debentures Issued in 2020

Senior unsecured redeemable rated 3 year debentures of Rs 100/- each issued in 2020. The debentures are quoted on the Colombo Stock Exchange.

No. of Debentures	Face Value Rs 000	Amortised Cost		Allotment Date	Maturity Date	Rate of Interest
		2020 Rs 000	2019 Rs 000			
20,000,000	2,000,000	2,109,726	-	07-Jul-20	07-Jul-23	Fixed - 11.25% per annum payable annually
20,000,000	2,000,000	2,109,726	-			

NOTES TO THE FINANCIAL STATEMENTS

37 DUE TO DEBT SECURITIES HOLDERS CONTD.

37.2 Long Term Bond

Bank & Group

The Bank has issued a redeemable zero coupon bond in 2003 with a redemption value of Rs 3,458 Mn which will be matured on 1st August 2023.

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	2,526,759	2,314,880
Interest accrued	231,273	211,879
Balance as at 31st December	2,758,032	2,526,759

38 RETIREMENT BENEFIT OBLIGATION

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Provision for gratuity (Note 38.1)	1,522,464	1,199,928	1,639,530	1,290,067
Leave accrual plan (Note 38.2)	285,940	236,628	285,940	236,628
EPF interest guarantee plan (Note 38.3.1)	148,486	117,105	148,486	117,105
Liability for pension fund (38.4)	4,914,702	2,097,981	4,914,702	2,097,981
	6,871,592	3,651,642	6,988,658	3,741,781

38.1 Provision for Gratuity

Liability Recognised in the Statement of Financial Position

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	1,199,928	734,664	1,290,067	792,920
Provision made during the year (Note 38.1.1)	360,658	515,163	392,544	553,992
	1,560,586	1,249,827	1,682,611	1,346,912
Benefits paid from the plan	(38,122)	(49,899)	(43,081)	(56,845)
Balance as at 31st December (Note 38.1.2)	1,522,464	1,199,928	1,639,530	1,290,067

38.1.1 Provision made during the year

Amounts Recognised in Profit or Loss

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Current service cost	135,254	118,626	154,500	133,053
Interest expenses	122,393	89,556	131,752	96,607
Total amount recognised in profit or loss	257,647	208,182	286,252	229,660

Amounts Recognised in OCI

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Actuarial (gain)/loss due to changes in assumptions*				
- Financial assumptions	(8,883)	101,789	(4,216)	115,845
- Demographic assumptions	-	-	-	-
Actuarial experience loss arising during the year	111,894	205,192	110,508	208,487
Total actuarial loss recognised in OCI	103,011	306,981	106,292	324,332
Provision made during the year	360,658	515,163	392,544	553,992

*Significant assumptions used for the actuarial valuation are given in Note 38.1.3

38.1.2 Movement of Defined Benefit Obligation during the year

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	1,199,928	734,664	1,290,067	792,920
Current service cost	135,254	118,626	154,500	133,053
Interest expenses	122,393	89,556	131,752	96,607
Benefits paid from plan	(38,122)	(49,899)	(43,081)	(56,845)
Actuarial (gain)/loss due to changes in assumptions				
- Financial assumptions	(8,883)	101,789	(4,216)	115,845
- Demographic assumptions	-	-	-	-
Actuarial experience loss	111,894	205,192	110,508	208,487
Balance as at 31st December	1,522,464	1,199,928	1,639,530	1,290,067

An actuarial valuation of the gratuity fund of the Bank was carried out as at 31st December 2020 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).

NOTES TO THE FINANCIAL STATEMENTS

38 RETIREMENT BENEFIT OBLIGATION CONTD.

38.1.3 Actuarial Assumptions - Bank

As at 31st December	2020	2019
Financial assumptions*		
Discount rate	7.3%	10.2%
Future salary increment rate	7.0%	10.0%
Demographic assumptions		
Mortality	RP 2000 Mortality Table	RP 2000 Mortality Table
Retirement age	55 years	55 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 reduction in market interest rates.

Expected average future working life of the active participants is 11.1 years.

38.1.4 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	2020		2019	
		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%	-	179.5	(179.5)	113.5	(113.5)
(1%)	-	(215.4)	215.4	(135.0)	135.0
-	1%	(209.7)	209.7	(131.6)	131.6
-	(1%)	178.5	(178.5)	113.0	(113.0)

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

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	236,628	221,134
Provision made during the year	49,312	15,494
Balance as at 31st December	285,940	236,628

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 2020.

38.3.1 Movement of the Liability Recognised in the Statement of Financial Position

Bank & Group

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	117,105	92,254
Current service cost and interest cost	20,977	19,096
Actuarial loss	10,404	5,755
Balance as at 31st December	148,486	117,105

38.3.2 Amounts Recognised in Profit or Loss

Bank & Group

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Current service cost	9,069	7,850
Interest expense on defined benefit liability	11,908	11,246
Total amount recognised in profit or loss	20,977	19,096

38.3.3 Amounts Recognised in OCI

Bank & Group

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Actuarial loss due to changes in assumptions*		
Financial assumptions	10,776	15,951
Demographic assumptions	-	-
Actuarial gain due to experience adjustments	(372)	(10,196)
Total amount recognised in OCI	10,404	5,755

* 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

	2020	2019
Financial assumptions*		
Discount rate	7.3%	10.2%
Future salary increment rate	7.0%	10.0%
Return from EPF investments	4.5%	8.2%
Long term guaranteed EPF interest rate (net of tax)	4.7%	8.4%
Demographic assumptions		
Mortality	RP 2000 Mortality Table	RP 2000 Mortality Table

Expected average future working life of the active participants is 11.1 years.

*Discount rate, return from EPF investment and the long term guaranteed EPF interest rate (net of tax) 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 reduction in market interest rates.

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	2020		2019	
		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%	-	16.5	(16.5)	11.2	(11.2)
(1%)	-	(19.5)	19.5	(13.1)	13.1
-	1%	(3.4)	3.4	(2.3)	2.3
-	(1%)	3.1	(3.1)	2.2	(2.2)

38.4 Pension Fund

38.4.1 Net Liability Recognised in the Statement of Financial Position

Bank & Group

As at 31st December	2020 Rs 000	2019 Rs 000
Present value of funded obligations as at 31st December (Note 38.4.4)	12,661,904	9,216,234
Fair value of plan assets as at 31st December (Note 38.4.5)	(7,747,202)	(7,118,253)
Funded status	4,914,702	2,097,981
Present value of unfunded benefit obligation	-	-
Net liability recognised in the Statement of Financial Position	4,914,702	2,097,981

38.4.2 Amounts Recognised in Profit or Loss

Bank & Group

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Current service cost	322,432	280,383
Net interest expense on the net defined benefit liability	247,183	118,476
Past service cost	-	89,173
Total amount recognised in profit or loss	569,615	488,032

38.4.3 Amounts Recognised in OCI

Bank & Group

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Actuarial loss due to changes in assumptions*		
- Financial assumptions	2,386,548	721,126
- Demographic assumptions	-	-
Actuarial gain due to experience adjustments	(1,798)	(48,687)
Actuarial loss from plan assets	350,356	477,639
Total amount recognised in OCI	2,735,106	1,150,078

* Significant assumptions used for the actuarial valuation are given in Note 38.4.6

38.4.4 Defined Benefit Obligation Reconciliation

Bank & Group

	2020 Rs 000	2019 Rs 000
Defined benefit obligation as at 1st January	9,216,234	7,467,660
Current service cost	322,432	280,383
Interest cost	1,013,786	925,243
Past service cost	-	89,173
Actual benefits paid from plan	(275,298)	(218,664)
Actuarial loss due to changes in assumptions		
- Financial assumptions	2,386,548	721,126
- Demographic assumptions	-	-
Actuarial gain due to experience adjustments	(1,798)	(48,687)
Defined benefit obligation as at 31st December	12,661,904	9,216,234

38.4.5 Fair Value of Plan Assets Reconciliation

Bank & Group

	2020 Rs 000	2019 Rs 000
Fair value of plan assets as at 1st January	7,118,253	6,629,888
Interest income on plan assets	766,603	806,767
Actual employer contributions	488,000	377,901
Actual benefits paid from plan	(275,298)	(218,664)
Actuarial loss from plan assets	(350,356)	(477,639)
Fair value of plan assets as at 31st December (Note 38.4.5 (a))	7,747,202	7,118,253

An actuarial valuation of the Pension Fund was carried out as at 31st December 2020 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).

NOTES TO THE FINANCIAL STATEMENTS

38 RETIREMENT BENEFIT OBLIGATION CONTD.

38.4.5(a) Fair Value of Plan Assets Consists of the Following

As at 31st December	2020 Rs 000	2019 Rs 000
Equity securities & debentures	676,908	840,058
Term deposits	6,405,731	5,508,537
Others	664,563	769,658
Fair value of plan assets	7,747,202	7,118,253

38.4.6 Actuarial Assumptions

Bank & Group

As at 31st December	2020	2019
Financial assumptions*		
Discount rate	8.0%	11.0%
Future salary increment rate	7.0%	10.0%
Expected return on assets	8.0%	11.0%
Demographic assumptions		
Mortality	RP 2000 Mortality Table	RP 2000 Mortality Table
Retirement age	Normal retirement age or age on valuation date, if greater	Normal retirement age or age on valuation date, if greater

Expected average future life of the active and retired participants is 31.5 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 reduction in market interest rates.

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	2020		2019	
		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 Net 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 Net Pension Liability Rs Mn
1%	-	1,361.5	(1,361.5)	890.7	(890.7)
(1%)	-	(1,640.3)	1,640.3	(1,051.6)	1,051.6
-	1%	(518.9)	518.9	(411.1)	411.1
-	(1%)	483.4	(483.4)	383.1	(383.1)

39 CURRENT TAX LIABILITIES/(RECEIVABLES)

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Current tax liabilities	4,674,756	7,427,315	4,792,904	7,835,445
Current tax receivables	-	-	(42,883)	(46,246)
Net current tax liability (Note 39.1)	4,674,756	7,427,315	4,750,021	7,789,199

39.1 Current Tax Liabilities/(Receivables)

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	7,427,315	9,540,868	7,789,199	9,659,122
Current tax based on profit for the year (Note 16)	4,137,004	7,578,543	4,485,988	8,138,931
Over provision in respect of previous years (Note 16)	(490,640)	(802,528)	(601,050)	(802,528)
Payment of tax	(6,398,923)	(8,889,568)	(6,924,116)	(9,206,326)
Balance as at 31st December	4,674,756	7,427,315	4,750,021	7,789,199

40 OTHER LIABILITIES

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Deposit insurance premium	206,184	163,636	208,191	165,149
Deferred income	488,814	572,978	488,814	572,978
Lease liability (Note 31.1)	3,779,635	4,423,702	3,210,792	3,449,043
Bills payable	1,678,585	1,431,144	1,678,585	1,431,144
Items in transit	3,987,671	2,700,432	3,987,671	2,700,432
Accrued expenses	3,709,857	3,256,959	3,823,710	3,277,486
Impairment provision for expected credit loss- credit related commitments & contingencies (Note 45.2)	1,685,806	1,417,228	1,686,923	1,417,504
Other payable (Note 40.1)	2,997,402	3,142,265	4,488,050	4,352,103
	18,533,954	17,108,344	19,572,736	17,365,839

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.

NOTES TO THE FINANCIAL STATEMENTS

41 STATED CAPITAL

Bank & Group

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	47,622,493	32,795,952
Rights issue	-	12,104,933
Scrip dividend	-	2,721,608
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

	2020	2019
Ordinary shares as at 1st January	381,457,985	280,902,248
Number of shares issued under rights issue 2019	-	89,006,863
Number of shares issued due to final scrip dividend 2018	-	11,548,874
Ordinary shares as at 31st December	381,457,985	381,457,985

42 STATUTORY RESERVE FUND

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	4,040,000	3,470,000	4,204,000	3,609,000
Transfer during the year	410,000	570,000	431,000	595,000
Balance as at 31st December	4,450,000	4,040,000	4,635,000	4,204,000

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.

The Bank's subsidiary, 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.

43 OTHER RESERVES

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Revaluation reserve (Note 43.1)	2,993,599	2,993,599	5,962,392	5,962,392
Fair value through other comprehensive income reserve (Note 43.2)	1,838,203	807,879	1,838,203	807,879
General reserve (Note 43.3)	46,455,786	43,435,171	46,455,786	43,435,171
	51,287,588	47,236,649	54,256,381	50,205,442

43.1 Revaluation Reserve

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	2,993,599	2,409,050	5,962,392	5,093,155
Revaluation surplus	-	811,874	-	1,207,274
Deferred tax effect on revaluation surplus	-	(227,325)	-	(338,037)
Balance as at 31st December	2,993,599	2,993,599	5,962,392	5,962,392

43.2 Fair Value through Other Comprehensive Income Reserve

Bank & Group

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	807,879	1,160,765
(Loss)/gain on re-measurement - debt instrument at FVOCI	(8,030)	87,713
Reclassification to profit or loss - debt instruments at FVOCI	(179,418)	(16,842)
Changes in impairment for expected credit losses - debt instruments at FVOCI (Note 12)	19,527	-
Gain/(loss) on re-measurement - equity instrument at FVOCI	1,555,933	(552,306)
Exchange differences - equity instruments at FVOCI	42,994	(8,685)
Deferred tax effect on above	(400,682)	137,234
Balance as at 31st December	1,838,203	807,879

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

	2020 Rs 000	2019 Rs 000
Balance as at 1st January	43,435,171	38,909,901
Unclaimed dividend adjustments	20,615	25,270
Transfer during the year	3,000,000	4,500,000
Balance as at 31st December	46,455,786	43,435,171

44 RETAINED EARNINGS

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January	6,106,642	5,643,642	9,424,692	8,481,881
Profit for the year	8,025,147	11,150,887	8,442,516	11,668,190
Actuarial loss on defined benefit plans	(2,848,521)	(1,462,814)	(2,851,802)	(1,480,165)
Deferred tax effect	797,586	409,588	798,505	414,447
Final dividend for 2018: Scrip	-	(3,160,150)	-	(3,160,150)
Final dividend for 2018: Cash	-	(1,404,511)	-	(1,404,511)
Final dividend for 2019: Cash	(4,482,131)	-	(4,482,131)	-
Transfers to reserves during the year	(3,410,000)	(5,070,000)	(3,431,000)	(5,095,000)
Balance as at 31st December	4,188,723	6,106,642	7,900,780	9,424,692

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS AND CONTINGENCIES

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Credit related commitments & contingencies				
Undrawn-direct credit facilities	159,176,139	149,635,468	153,070,089	145,568,721
Undrawn-indirect credit facilities	54,713,490	45,464,712	54,713,490	45,464,712
Acceptances	31,898,963	14,169,804	31,898,963	14,169,804
Documentary credit	24,813,773	17,335,325	24,813,773	17,335,325
Guarantees	53,735,658	49,134,959	53,742,158	49,140,159
	324,338,023	275,740,268	318,238,473	271,678,721
Other commitments & contingencies				
Capital commitments (Note 45.3)	1,299,104	998,348	2,961,541	2,283,100
Operating lease commitments - as lessee (Note 45.4)	41,502	46,287	41,502	46,287
Forward exchange contracts	67,793,651	13,218,467	67,793,651	13,218,467
Currency SWAPs	90,619,275	102,830,358	90,619,275	102,830,358
	159,753,532	117,093,460	161,415,969	118,378,212
Total gross commitments & contingencies	484,091,555	392,833,728	479,654,442	390,056,933
Impairment for expected credit losses-credit related commitments & contingencies (Note 45.2)	(1,685,806)	(1,417,228)	(1,686,923)	(1,417,504)
Commitments & contingencies - net of impairment for expected credit losses	482,405,749	391,416,500	477,967,519	388,639,429

45.1 Analysis of Credit Related Commitments and Contingencies based on the Exposure to Credit Risk

Bank

As at 31st December 2020	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn-direct credit facilities	150,889,460	7,675,919	610,760	159,176,139
Undrawn-indirect credit facilities	40,805,210	13,887,280	21,000	54,713,490
Acceptances	27,224,415	4,471,154	203,394	31,898,963
Documentary credit	19,387,522	5,374,061	52,190	24,813,773
Guarantees	40,056,611	12,555,693	1,123,354	53,735,658
Gross credit related commitments & contingencies	278,363,218	43,964,107	2,010,698	324,338,023
Impairment for expected credit losses	(1,155,451)	(348,123)	(182,232)	(1,685,806)
Net credit related commitments & contingencies	277,207,767	43,615,984	1,828,466	322,652,217

As at 31st December 2019	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn-direct credit facilities	139,207,771	9,645,331	782,366	149,635,468
Undrawn-indirect credit facilities	38,762,823	6,564,389	137,500	45,464,712
Acceptances	10,903,440	3,266,364	-	14,169,804
Documentary credit	16,376,063	959,262	-	17,335,325
Guarantees	41,667,165	6,138,420	1,329,374	49,134,959
Gross credit related commitments & contingencies	246,917,262	26,573,766	2,249,240	275,740,268
Impairment for expected credit losses	(775,864)	(297,123)	(344,241)	(1,417,228)
Net credit related commitments & contingencies	246,141,398	26,276,643	1,904,999	274,323,040

Group

As at 31st December 2020	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn - Direct credit facilities	144,783,410	7,675,919	610,760	153,070,089
Undrawn - Indirect credit facilities	40,805,210	13,887,280	21,000	54,713,490
Acceptances	27,224,415	4,471,154	203,394	31,898,963
Documentary credit	19,387,522	5,374,061	52,190	24,813,773
Guarantees	40,063,111	12,555,693	1,123,354	53,742,158
Gross credit related commitments & contingencies	272,263,668	43,964,107	2,010,698	318,238,473
Impairment for expected credit losses	(1,156,568)	(348,123)	(182,232)	(1,686,923)
Net credit related commitments & contingencies	271,107,100	43,615,984	1,828,466	316,551,550

As at 31st December 2019	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Undrawn - Direct credit facilities	135,137,757	9,648,598	782,366	145,568,721
Undrawn - Indirect credit facilities	38,762,823	6,564,389	137,500	45,464,712
Acceptances	10,903,440	3,266,364	-	14,169,804
Documentary credit	16,376,063	959,262	-	17,335,325
Guarantees	41,672,365	6,138,420	1,329,374	49,140,159
Gross credit related commitments & contingencies	242,852,448	26,577,033	2,249,240	271,678,721
Impairment for expected credit losses	(775,981)	(297,282)	(344,241)	(1,417,504)
Net credit related commitments & contingencies	242,076,467	26,279,751	1,904,999	270,261,217

45.2 Impairment for Expected Credit Losses- Credit Related Commitments and Contingencies

	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Stage 1				
Balance as at 1st January	775,864	658,526	775,981	658,526
Net charge for the year (Note 12)	379,587	117,338	380,587	117,455
Amounts written off during the year	-	-	-	-
Other adjustments	-	-	-	-
Balance as at 31st December	1,155,451	775,864	1,156,568	775,981
Stage 2				
Balance as at 1st January	297,123	231,217	297,282	231,217
Net charge for the year (Note 12)	51,000	65,906	50,841	66,065
Amounts written off during the year	-	-	-	-
Other adjustments	-	-	-	-
Balance as at 31st December	348,123	297,123	348,123	297,282
Stage 3				
Balance as at 1st January	344,241	294,344	344,241	294,344
Net (reversal)/charge for the year (Note 12)	(162,009)	49,897	(162,009)	49,897
Amounts written off during the year	-	-	-	-
Other adjustments	-	-	-	-
Balance as at 31st December	182,232	344,241	182,232	344,241
Total				
Balance as at 1st January	1,417,228	1,184,087	1,417,504	1,184,087
Net charge for the year (Note 12)	268,578	233,141	269,419	233,417
Amounts written off during the year	-	-	-	-
Other adjustments	-	-	-	-
Balance as at 31st December	1,685,806	1,417,228	1,686,923	1,417,504

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS AND CONTINGENCIES CONTD.

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	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Approved & contracted for	347,005	18,256	2,009,442	1,303,008
Approved but not contracted for	952,099	980,092	952,099	980,092
	1,299,104	998,348	2,961,541	2,283,100

45.4 Operating Lease Commitments - As Lessee

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Less than 1 year	41,502	46,287	41,502	46,287
More than 1 year	-	-	-	-
	41,502	46,287	41,502	46,287

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 the business undertaken and in that light, the Bank has formal controls and policies for managing and defending the legal actions instituted against it. Pursuant to obtaining professional advice and estimating any loss likely to be incurred, 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. - DMR 5787/10

The Plaintiff's action against the Bank has been dismissed by the District Court. The appeal filed by the Plaintiff in this regard is currently being adjudicated before the Civil Appellate Court.

(b) Case No. - DMR 1904/2012

The Plaintiff instituted this action against the Bank claiming a sum of Rs 2.5 Mn as damages on the purported basis that the Bank had illegally handed over the Certificate of Registration pertaining to the vehicle leased under the Lease Agreement No. L/0/16/SBL/Kuli, to the Plaintiff's spouse. The consent letter given by the Plaintiff in respect of such transfer is being challenged by the Plaintiff. While the District Court delivered judgment in favour of the Bank, the appeal preferred therefrom is currently pending before the Civil Appellate Court.

(c) 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 note that the Letter of Offer confirms that the Bank has the right to increase the rate of interest.

(d) Case No. - 58032/MR/Civil Appeal Court Case No. 259/17/F

The Plaintiff instituted this action against both the Bank and the CRIB, claiming Rs 100 Mn as damages, on the purported basis that his company has been reported to the CRIB under an irrelevant reference due to the negligence of the Bank. The action was dismissed by the District Court on the 8th of February 2017. However, an appeal filed by the Plaintiff is currently being adjudicated before the Civil Appellate Court in Colombo.

(e) DC Colombo Case No. 891/13

The above case was instituted against the Bank claiming damages of Rs 143 Mn on the purported basis that the Bank has unlawfully auctioned a property under the Provisions of Act No. 04 of 1990. The Bank has taken up the position that it has at all times acted in strict conformity with the applicable law.

(f) 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 right of set off recognised by law relating to banking facilities. Judgment delivered in favour of the Bank.

Customer appealed against the judgment. Case has not yet commenced.

(g) 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 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 the right, in law, to set off dues against other facilities granted to the Plaintiff by the Bank. Judgement delivered in favour of the Bank.

The appeal preferred therefrom before the Civil Appellate Court yet to be commenced.

(h) CHC Colombo Case No. CHC/167/2020/MR and Case No. CHC/168/2020/MR

The Plaintiff instituted 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 deposits and transferred monies from the Plaintiff's 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.

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) Seven actions have been filed in Supreme Court.
- (b) Four actions have been filed in Court of Appeal.
- (c) Three actions have been filed in Civil Appeal Court.
- (d) Eighty six actions have been filed in Commercial High Court.
- (e) One hundred and ninety seven 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 2020.

45.5.3 Litigation against the Group

Other than those disclosed above there are no cases filed against the Group which would have a material impact on the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

46 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.

46.1 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.

46.2 Parent and Ultimate Controlling Party

The Bank does not have an identifiable parent of its own.

46.3 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.

46.3.1 Compensation to KMP

For the year ended 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Short term employment benefits				
Directors' fees & expenses	85,774	82,852	89,811	87,767
Short term benefits	69,425	43,331	69,425	43,331
Post-employment benefits	5,745	3,692	5,745	3,692
Total	160,944	129,875	164,981	134,790

46.3.2 Transactions with KMP and their Close Family Members (CFMs)

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	Limit	2020	Average	Limit	2019	Average
	Rs 000	Closing Balance Rs 000	Balance Rs 000	Rs 000	Closing Balance Rs 000	Balance Rs 000
Loans & advances	41,508	31,226	31,896	39,600	38,231	25,546
Credit cards	13,520	4,048	2,425	7,920	2,074	1,664
Deposits		141,854	214,936		147,277	247,963
Debentures		22,000	11,361		-	-

For the year ended 31st December	2020	2019
	Rs 000	Rs 000
Interest & other income	3,245	3,468
Interest expense	12,729	14,507
Cash dividend paid	7,821	263
Scrip dividend paid (Number of shares)	-	2,150

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.

46.4 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	2020		2019	
		Average Balance Rs 000	31st December Balance Rs 000	Average Balance Rs 000	31st December Balance Rs 000
Siyapatha Finance PLC	As at				
	Loans & advances	4,633,093	2,974,558	5,226,972	6,231,815
	Deposits	531,148	136,425	10,050	6,247
	Other liabilities	208,873	1,000,000	8,269	-
	For the year ended				
	Dividend income (Gross)		142,959		36,344
Income & fees received		603,602		827,795	
Expenses & fees paid		5,991		4,411	
Sampath Centre Ltd	As at				
	Loans & advances	840,689	902,066	480,967	601,381
	Other assets	62,754	62,754	62,754	62,754
	Deposits	302,035	284,408	301,128	156,077
	Other liabilities	58,778	55,986	48,703	41,331
	For the year ended				
	Dividend income (Gross)		35,391		42,788
	Income & fees received		120,381		75,298
Expenses & fees paid		331,894		334,012	

NOTES TO THE FINANCIAL STATEMENTS

46 RELATED PARTY DISCLOSURES CONTD.

Subsidiary Company	Nature of Facility/Transaction	2020		2019	
		Average Balance Rs 000	31st December Balance Rs 000	Average Balance Rs 000	31st December Balance Rs 000
SC Securities (Pvt) Ltd	As at				
	Loans & advances	106,130	247,028	28,829	38,619
	Deposits	23,336	19,622	18,548	14,891
	Other liabilities	45,800	93,000	5,400	14,000
	Other assets	-	-	40	-
	Commitment & contingencies	1,750	1,750	1,750	1,750
	For the year ended				
	Income & fees received		14,320		3,967
Expenses & fees paid		1,768		2,748	
Sampath Information Technology Solutions Ltd	As at				
	Loans & advances	125,371	91,473	233,234	161,821
	Deposits	37,840	65,321	15,546	112
	Other liabilities	146,914	220,694	139,233	125,849
	Commitment & contingencies	3,496	6,840	22,941	2,781
	For the year ended				
	Dividend income		23,575		-
	Income & fees received		13,969		35,164
Expenses & fees paid excluding reimbursement of expenses		310,392		315,195	
Purchase of computer hardware & software		23,887		78,873	

The Directors' valuation of investments in subsidiaries has been carried out on net asset basis as at 31st December 2020. During the year, the Bank reversed the total impairment provision of Rs 59 Mn made as at 31st December 2019 against the investment in SC Securities (Pvt) Ltd. Accordingly, the Bank has not made any specific provisions under impairment losses against its investment in subsidiary companies as at the reporting date.

46.5 Transactions with Other Related Parties

46.5.1 Transactions with Entities Controlled and/or Jointly Controlled by KMP or their CFMs

As at 31st December	Limit Rs 000	2020		Limit Rs 000	2019	
		Average Balance Rs 000	Closing Balance Rs 000		Average Balance Rs 000	Closing Balance Rs 000
Loans & advances	1,500,700	100,335	300,985	259,200	6,367	5,529
Indirect facilities	100,000	821,958	-	1,287,500	666,250	887,500
Deposits		309,738	315,190		473,029	296,923

For the year ended 31st December	2020 Rs 000	2019 Rs 000
Interest & other income	4,410	755
Interest expense	11,975	16,654
Cash dividend	-	2
Scrip dividend paid (Number of shares)	-	13

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.

46.5.2 Transactions with Post Employment Benefit Plans of the Bank

Name of the Post Employment Benefit Plan	Nature of Transactions	2020		2019	
		Average Balance Rs 000	31st December Balance Rs 000	Average Balance Rs 000	31st December Balance Rs 000
Sampath Bank Employees' Provident Fund	As at				
	Deposits	2,366,390	2,566,906	1,861,742	2,183,098
	Debentures	376,200	376,200	911,796	376,200
	Interest payable	81,728	93,336	113,087	84,638
	For the year ended				
	Interest expense		252,311		294,391
Sampath Bank Employees' Pension Fund	As at				
	Deposits	1,595,808	1,369,177	1,244,211	1,436,992
	Debentures	155,000	155,000	615,700	155,000
	Investment in Sampath Bank Shares - market value	515,654	521,908	646,073	625,058
	Investment in repo	-	-	8,917	-
	Interest payable	63,241	64,475	90,028	51,291
	Net liability in the Bank's Financial Statements (Note 38.4.1)	2,746,786	4,914,702	1,467,877	2,097,981
	For the year ended				
	Interest expense		157,691		189,440
	Dividend paid - Cash (Gross)		45,224		17,514
Scrip dividend (Number of shares)		-		144,015	

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47 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. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Bank's total revenue in 2020 or 2019.

The following table presents income, profit, total assets, total liabilities & cash flows of the Group's operating segments.

	Corporate Banking		Retail & Personal Banking		Dealing/Investment		Others		(Eliminations)/Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
For the year ended 31st December												
Net interest income	8,356,218	11,121,927	22,088,041	27,556,780	6,383,074	6,085,063	-	-	-	-	36,827,333	44,763,770
Net fee & commission income	1,762,666	2,309,472	6,969,821	8,033,147	216,639	46,063	-	-	-	-	8,949,126	10,388,682
Net gain from trading	-	-	-	-	24,787	2,205,878	-	-	-	-	24,787	2,205,878
Net gain on derecognition of financial assets	-	-	-	-	423,814	113,670	-	-	-	-	423,814	113,670
Net other operating income	1,132,56	129,362	1,336,105	978,689	2,340,482	458,873	51,596	102,446	-	-	3,841,439	1,669,370
Total revenue from external customers	10,232,140	13,560,761	30,393,967	36,568,616	9,388,796	8,909,547	51,596	102,446	-	-	50,066,499	59,141,370
Inter segment (expenses)/income	(323,784)	(298,456)	663,500	488,720	-	-	623,818	630,440	(963,534)	(820,704)	-	-
Total operating income	9,908,356	13,262,305	31,057,467	37,057,336	9,388,796	8,909,547	675,414	732,886	(963,534)	(820,704)	50,066,499	59,141,370
Less: Impairment charge	4,046,726	5,470,829	7,756,406	7,927,361	1,390,622	342,228	7,172	10,159	-	-	13,200,926	13,750,577
Net operating income	5,861,630	7,791,476	23,301,061	29,129,975	7,998,174	8,567,319	668,242	722,727	(963,534)	(820,704)	36,865,573	45,390,793
Less: Total operating expenses	409,923	407,418	10,021,866	9,565,167	2,677,704	3,107,927	534,696	603,387	7,937,524	8,216,665	21,581,713	21,900,564
Segment result	5,451,707	7,384,058	13,279,195	19,564,808	5,320,470	5,459,392	133,546	119,340	(8,901,058)	(9,037,369)	15,283,860	23,490,229
Less: Taxes on financial services	-	-	-	-	-	-	-	-	-	-	3,394,281	7,151,844
Less: Income tax expense	-	-	-	-	-	-	-	-	-	-	3,447,063	4,670,195
Profit for the year	-	-	-	-	-	-	-	-	-	-	8,442,516	11,668,190
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Profit attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	-	-	8,442,516	11,668,190
As at 31st December												
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
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	361,314,925	327,573,017	432,410,763	453,347,702	321,008,498	195,454,617	7,425,740	7,103,347	(10,407,983)	(11,406,256)	1,111,751,943	972,072,427
Unallocated assets	-	-	-	-	-	-	-	-	37,933,485	27,250,679	37,933,485	27,250,679
Total assets	361,314,925	327,573,017	432,410,763	453,347,702	321,008,498	195,454,617	7,425,740	7,103,347	27,525,502	15,844,423	1,149,685,428	999,323,106
Segment liabilities	59,107,227	57,968,821	855,016,829	681,952,424	15,567,353	24,658,367	2,744,594	2,500,092	(7,177,164)	(9,055,000)	925,258,839	758,024,704
Unallocated liabilities	-	-	-	-	-	-	-	-	110,011,935	129,841,775	110,011,935	129,841,775
Total liabilities	59,107,227	57,968,821	855,016,829	681,952,424	15,567,353	24,658,367	2,744,594	2,500,092	102,834,771	120,786,775	1,035,270,774	887,866,479
For the year ended 31st December												
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
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	(27,829,287)	5,302,061	169,260,426	(5,924,540)	(93,780)	(34,793)	565,383	501,407	(1,913,495)	(114,345)	139,989,247	(270,210)
Cash flows from investing activities	-	-	-	-	(121,184,599)	(9,088,483)	(459,675)	(617,758)	(1,183,797)	(620,594)	(122,828,071)	(10,326,835)
Cash flows from financing activities	-	-	2,560,178	(921,990)	-	-	59,762	(43,061)	(12,397,749)	9,560,335	(9,777,809)	8,595,284
Capital expenditure	-	-	(404,402)	(643,112)	-	-	(572,948)	(708,065)	(665,674)	(1,065,038)	(1,643,024)	(2,416,215)

NOTES TO THE FINANCIAL STATEMENTS

48 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.

48.1 Bank

48.1.1 Retirement of Directors

Ms Annika Senanayake (Independent, Non-Executive Director) and Mr Ranil Pathirana (Non-Independent, Non-Executive Director) having completed the term of nine (09) years as Non-Executive Directors of the Bank on 31st December 2020 retired from the Board of Directors with effect from 1st January 2021.

48.1.2 Sub-division of Shares

The Board of Directors of the Bank at its meeting held on 27th January 2021 has approved that the number of ordinary shares of the Bank in issue be increased by way of a sub-division of shares; where by one (01) ordinary share will be subdivided in to three (03) ordinary shares. The resulting number of shares after the sub-division would be 1,144,373,955. There will be no change to the stated capital of the Bank subsequent to the said sub-division of shares. The shares resulting from sub-division of shares would carry the same voting and distribution rights of the holders of such shares. The increase of shares by way of the above sub-division is subject to shareholder approval to be obtained at the Extra-ordinary General Meeting to be held on 17th March 2021.

The Basic/Diluted Earnings per Share (EPS) and the Net Assets Value per Share of the Bank/Group for the year ended/as at 31st December 2020 have not been adjusted for the said sub-division of shares as it is subject to the approval of the shareholders. If the sub-division of shares is considered, the adjusted EPS and Net Asset Value per share would be as follows.

	Bank	Group
Basic/diluted Earnings per Share for the year ended 31st December 2020 (Rs)	7.01	7.38
Net Asset Value per share as at 31st December 2020 (Rs)	93.98	99.98

48.1.3 Debenture Issue 2021/2028

The Board of Directors of the Bank decided to issue 50,000,000 Basel III Compliant - Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable 7 year debentures (2021/2028) with a Non-Viability Conversion at a pre-specified trigger point, at the par value of Rs 100 each to raise Rs 5,000,000,000 with an option to issue up to a further 10,000,000 of said debentures to increase the said sum by up to a further Rs 1,000,000,000 at the discretion of the Bank in the event of an over subscription of the initial issue. The Bank intends to have the aforementioned Basel III Compliant Debentures listed on the Colombo Stock Exchange.

The above issue is subject to the approval of the shareholders at an Extra-ordinary General Meeting.

48.1.4 Proposed Dividend

The Directors have recommended a final cash dividend of Rs 8.25 per share for the financial year ended 31st December 2020, based on the 381,457,985 shares in issue as at 15th February 2021. The said dividend is subject to approval of the shareholders at the Annual General Meeting to be held on 30th March 2021.

However, if the shareholders approve the resolution for the proposed sub-division of shares in the proportion of 01:03 at the Extra-ordinary General Meeting to be held on 17th March 2021, the final dividend will be based on the increased number of shares (i.e. 1,144,373,955 shares). Consequently, each share will be entitled to a final cash dividend of Rs 2.75.

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 2020. As required by section 56 (2) of the Companies Act No. 7 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. 7 of 2007, having obtained a certificate from the External Auditors, prior to recommending the final dividend for the year.

48.1.5 Appointment of a Director

The Board, at its meeting held on 15th February 2021, resolved to appoint Mr Vinod Kishore Hirdaramani as a member of the Bank's Board of Directors (Non-Executive, Independent Director), with effect from 16th February 2021.

48.2 Group

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements of the Group, other than those disclosed above.

49 FAIR VALUE OF ASSETS AND LIABILITIES

49.1 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 technique 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. Treasury bills and bonds are valued using the yield curve published by the Central Bank of Sri Lanka. Quoted equity securities and Sri Lanka International Sovereign Bonds are valued using quoted market prices in the active markets as at the reporting date.

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.

49.2 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.

49.3 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.

49.4 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.

NOTES TO THE FINANCIAL STATEMENTS

49 FAIR VALUE OF ASSETS AND LIABILITIES CONTD.

49.4.1 Assets & Liabilities Measured at Fair Value - Fair Value Hierarchy Bank

As at 31st December	Date of Valuation	2020				2019			
		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	-	354,467	-	354,467	-	842,355	-	842,355
		-	1,832,048	-	1,832,048	-	20,399	-	20,399
		-	2,186,515	-	2,186,515	-	862,754	-	862,754
	Sub Total								
Financial assets - fair value through profit or loss									
	31st December	9,251,557	-	-	9,251,557	11,057,953	-	-	11,057,953
		62,071	-	-	62,071	72,277	-	-	72,277
		9,313,628	-	-	9,313,628	11,130,230	-	-	11,130,230
	Sub Total								
Financial assets - fair value through other comprehensive income									
	31st December	19,748,472	-	-	19,748,472	15,420,524	-	-	15,420,524
		3,528,974	-	-	3,528,974	1,871,878	-	-	1,871,878
		-	34,349	-	34,349	-	-	39,322	39,322
		926,008	-	-	926,008	-	-	-	-
		24,203,454	-	-	24,203,454	17,292,402	-	39,322	17,331,724
	Sub Total								
		33,517,082	2,186,515	34,349	35,737,946	28,422,632	862,754	39,322	29,324,708
	Total financial assets measured at fair value								
Non-financial assets measured at fair value									
	31st December	-	-	5,840,964	5,840,964	-	-	5,870,275	5,870,275
		-	-	5,840,964	5,840,964	-	-	5,870,275	5,870,275
	Total non - financial assets measured at fair value								
Financial liabilities measured at fair value									
Derivative financial instruments									
	31st December	-	1,978,191	-	1,978,191	-	574,573	-	574,573
		-	52,756	-	52,756	-	29,496	-	29,496
		-	2,030,947	-	2,030,947	-	604,069	-	604,069
	Total financial liabilities measured at fair value								

There were no material transfers between levels of fair value hierarchy during 2020 and 2019.

* The fair value exists in the most recent valuation less subsequent accumulated depreciation and impairment losses is considered as the fair value as at 31st December 2020.

49.4.2 Assets & Liabilities Measured at Fair Value - Fair Value Hierarchy Group

As at 31st December	Date of Valuation	2020			2019		
		Quoted Prices in Active Markets (Level 1) Rs 000	Fair Value Measurement Using Significant Observable Inputs (Level 2) Rs 000	Significant Unobservable Inputs (Level 3) Rs 000	Quoted Prices in Active Markets (Level 1) Rs 000	Fair Value Measurement Using Significant Observable Inputs (Level 2) Rs 000	Significant Unobservable Inputs (Level 3) Rs 000
Financial assets measured at fair value							
Derivative financial instruments	31st December						
Currency SWAPs		-	354,467	-	-	842,355	-
Forward exchange contracts		-	1,832,048	-	-	20,399	-
Sub Total		-	2,186,515	-	-	862,754	-
Financial assets - fair value through profit or loss	31st December						
Government securities - Treasury bills & bonds		9,251,557	-	-	11,057,953	-	-
Quoted equity securities		62,071	-	-	72,277	-	-
Sub Total		9,313,628	-	-	11,130,230	-	-
Financial assets - fair value through other comprehensive income	31st December						
Government securities - Treasury bills & bonds		19,748,472	-	-	15,420,524	-	-
Quoted equity security		3,528,974	-	-	1,871,878	-	-
Unquoted equity securities		-	34,405	-	-	39,378	-
Sri Lanka International Sovereign Bonds		926,008	-	-	-	-	-
Sub Total		24,203,454	-	-	17,292,402	-	-
Total financial assets measured at fair value		33,517,082	2,186,515	34,405	28,422,632	862,754	39,378
Non - financial assets measured at fair value	31st December						
Freehold land & buildings (included under property, plant & equipment)*		-	-	10,311,483	-	-	10,424,624
Total non - financial assets measured at fair value		-	-	10,311,483	-	-	10,424,624
Financial liabilities measured at fair value							
Derivative financial instruments	31st December						
Currency SWAPs		-	1,978,191	-	-	574,573	-
Forward exchange contracts		-	52,756	-	-	29,496	-
Total financial liabilities measured at fair value		-	2,030,947	-	-	604,069	-

There were no material transfers between levels of fair value hierarchy during 2020 and 2019.

* The fair value exists in the most recent valuation less subsequent accumulated depreciation and impairment losses is considered as the fair value as at 31st December 2020.

NOTES TO THE FINANCIAL STATEMENTS

49 FAIR VALUE OF ASSETS AND LIABILITIES CONTD.

49.5 Level 3 Fair Value Measurement

49.5.1 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 2019	36,582	5,005,897	36,638	9,294,934
Additions	2,750	88,659	2,750	88,659
Revaluation surplus credited to revaluation reserve	-	811,874	-	1,207,274
Written off during the year	-	-	-	(33,676)
Total gain/(loss) recognised in profit or loss:				
Reversal of impairment charge for the year (Note 12)	-	4,632	-	4,632
Depreciation of buildings	-	(40,787)	-	(126,057)
Transfers and other adjustments	(10)	-	(10)	(11,142)
Balance as at 31st December 2019	39,322	5,870,275	39,378	10,424,624
Additions	-	16,502	-	16,502
Gains/losses recognised in other comprehensive income				
Loss from mark to market valuation (Note 27.4)	(5,000)	-	(5,000)	-
Exchange rate differences	27	-	27	-
Gain/(loss) recognised in profit or loss:				
Depreciation of buildings	-	(45,813)	-	(129,643)
Balance as at 31st December 2020	34,349	5,840,964	34,405	10,311,483

49.5.2 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		Valuation Technique	Significant Unobservable Inputs	Weighted Average Range of Estimates for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
	Bank Fair Value as at 31st December 2020	Group Fair Value as at 31st December 2020				
	Rs 000	Rs 000				
Property, plant & equipment						
- Freehold lands	4,418,805	7,464,206	Market comparable method	Estimated price per perch	Rs 37,500 - 17,000,000	*
- Freehold buildings	1,422,159	2,847,277	Market comparable method	Estimated price per sq.ft	Rs 2,455 - 20,102	*
			Income basis	Estimated rental value per sq.ft		
				Bank	Rs 100 - 250	
				Subsidiary	Rs 150 - 300	
				Expected market rental growth		
				Bank	1.0%	*
				Subsidiary	5.0%	*
				Discount rate		
				Bank	6.5%	**
				Subsidiary	5.8%	**

* 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.

NOTES TO THE FINANCIAL STATEMENTS

49 FAIR VALUE OF ASSETS AND LIABILITIES CONTD.

49.6 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 2020

	Bank				Carrying Value	Group				
	Fair Value			Total		Fair Value			Total	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Carrying Value	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
Financial Assets										
Financial assets at amortised cost										
- loans & advances	-	723,772,058	-	723,772,058	720,215,247	-	759,987,497	-	759,987,497	752,437,782
- debt & other instruments	195,385,320	77,786,548	-	273,171,868	275,091,572	195,419,929	77,786,548	-	273,206,477	275,125,717
	195,385,320	801,558,606	-	996,943,926	995,306,819	195,419,929	837,774,045	-	1,033,193,974	1,027,563,499
Financial Liabilities										
Financial liabilities at amortised cost										
- due to depositors - fixed & certificate of deposits	-	540,480,570	-	540,480,570	535,836,041	-	558,795,729	-	558,795,729	553,025,229
- due to other borrowers	-	49,052,595	-	49,052,595	49,052,595	-	56,885,151	-	56,885,151	56,871,506
- due to debt securities holders	-	32,810,449	-	32,810,449	30,790,007	-	39,551,242	-	39,551,242	37,078,483
	-	622,343,614	-	622,343,614	615,678,643	-	655,232,122	-	655,232,122	646,975,218

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	Due to banks
Balances with Central Bank of Sri Lanka	Securities sold under repurchase agreements
Placements with banks	Savings, demand, call & margin deposits
Reverse repurchase agreements	Dividend payable
Other financial assets	Other financial liabilities

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49 FAIR VALUE OF ASSETS AND LIABILITIES CONTD.

As at 31st December 2019

	Bank			Carrying Value	Group			Carrying Value
	Fair Value				Fair Value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets								
Financial assets at amortised cost								
- loans & advances	-	690,192,102	-	690,192,102	689,377,504	720,992,710	-	720,992,710
- debt & other instruments	82,709,987	74,485,914	-	157,195,901	156,293,495	82,724,927	74,485,914	157,210,841
	82,709,987	764,678,016	-	847,388,003	845,670,999	82,724,927	795,478,624	878,203,551
Financial Liabilities								
Financial liabilities at amortised cost								
- due to depositors - fixed & certificate of deposits	-	464,406,797	-	464,406,797	463,712,164	477,384,710	-	477,384,710
- due to other borrowers	-	55,664,651	-	55,664,651	55,661,729	67,322,809	-	67,322,809
- due to debt securities holders	-	38,543,541	-	38,543,541	37,642,049	42,300,404	-	42,300,404
	-	558,614,989	-	558,614,989	557,015,942	587,007,923	-	587,007,923

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	Due to banks
Balances with Central Bank of Sri Lanka	Securities sold under repurchase agreements
Placements with banks	Savings, demand, call & margin deposits
Reverse repurchase agreements	Dividend payable
Other financial assets	Other financial liabilities

49.7 Reclassification of Financial Assets & Liabilities

There were no reclassifications during 2020 & 2019.

50 RISK MANAGEMENT

50.1 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.

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, through its training and management standards and procedures, continuously updates and 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 Group Chief Risk Officer (GCRO) who in turn directly reports to the BIRMC.

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50 RISK MANAGEMENT CONTD.

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/Group Chief Financial Officer and the Group 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 in most of the 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 and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

The Group's risk measurement and reporting functions were further strengthened during the year amidst the COVID-19 pandemic. The credit risk of the Group's loan book increased as the loan repayments were impacted by the lock downs and movement restrictions imposed locally and globally. Similarly, market risk too increased due to significant volatility in financial markets locally as well as globally. In particular, the Bank and the Group monitored the liquidity position with concern as it was under pressure due to the payment holidays offered under moratoriums. The operational risks too increased owing to the work from home arrangements etc. during the lock down periods.

In this back drop, the Bank took additional measures to ensure that the risks caused by the pandemic are adequately managed. Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include;

- Reviewed risk elevated industries in the context of COVID-19 pandemic.
- Assessed the impact of the COVID-19 lock downs and moratoriums (payment holidays) on the portfolio staging.
- Used of a range of additional stress tests to assess the impact on Group's performance and capital.
- Strengthened Cyber Security Management in light of the increase in use of digital platforms.
- Ensured adequate liquidity resources were held to meet Group's obligations, given the uncertainties caused by the pandemic.

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.

50.2 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.

50.2.1 Assessment of Expected Credit Losses

50.2.1 (a) Analysis of the total impairment for expected credit losses is as follows.

Bank

As at 31st December	Note	2020				Total Rs 000	2019 Total Rs 000
		Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000			
Cash & cash equivalents	20.2	36,364	-	-	36,364	13,739	
Placements with banks	22.2	447	-	-	447	611	
Financial assets at amortised cost							
- loans & advances	25.2	3,679,288	10,707,506	24,340,249	38,727,043	30,246,190	
- debt & other instruments	26.4	1,973,588	-	290,879	2,264,467	893,372	
Credit related commitments & contingencies	45.2	1,155,451	348,123	182,232	1,685,806	1,417,228	
Total allowance for expected credit losses		6,845,138	11,055,629	24,813,360	42,714,127	32,571,140	

Group

As at 31st December	Note	2020				Total Rs 000	2019 Total Rs 000
		Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000			
Cash & cash equivalents	20.2	36,379	-	-	36,379	13,750	
Placements with banks	22.2	447	-	-	447	611	
Financial assets at amortised cost							
- loans & advances	25.2	3,800,247	11,007,341	26,834,249	41,641,837	32,031,271	
- debt & other instruments	26.4	1,973,588	-	290,879	2,264,467	893,372	
Credit related commitments & contingencies	45.2	1,156,568	348,123	182,232	1,686,923	1,417,504	
Total allowance for expected credit losses		6,967,229	11,355,464	27,307,360	45,630,053	34,356,508	

50.2.1 (b) Movement of the total allowance for expected credit losses during the period

	Note	Bank		Group	
		2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Balance as at 1st January		32,571,140	22,050,471	34,356,508	23,642,867
Net charge for the year		11,822,149	12,583,876	13,174,227	13,740,418
Write-off during the year	25.2	(439,226)	(881,047)	(655,989)	(1,802,407)
Interest income accrued on impaired loans & advances	7.1	(3,333,638)	(2,809,924)	(3,348,278)	(2,894,134)
Other movements	25.2	2,093,702	1,627,764	2,103,585	1,669,764
Balance as at 31st December		42,714,127	32,571,140	45,630,053	34,356,508

The methodology used in the determination of expected credit losses is explained in Note 3.4.6 to financial statements. As explained in the said Note, the Group has made allowances for overlays where required to address the uncertainties and potential implications of COVID-19.

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50.2.1 (c) Sensitivity Analysis: Impact of extending the recovery cash flows by further one year for individually significant impaired loans

Had the Bank further extended the recovery cash flows by one year, only for instances where cash flow is forecasted based on collateral realisation, the cumulative impairment provision for individually significant impaired loans would have increased by Rs 1,732 Mn (2019: Rs 1,599 Mn).

50.2.1 (d) Sensitivity Analysis: Impact of staging of loans on collective impairment

As explained in Note 3.4.6.1, the Bank/Group categorises its loans into stage 1, stage 2, stage 3 and originated credit impaired when determining the collective impairment provision under SLFRS 9. The sensitivity of collective impairment provision to staging of the loans is given below.

- 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 2020 would have reduced by approximately 14% (2019 - 12%). The total loans and advances in stage 2 as at 31st December 2020 amounts to Rs 166 Bn & Rs 178 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 2020 would have further increased by approximately 44% (2019 - 42%). The total loans and advances in stage 1 as at 31st December 2020 amounts to Rs 533 Bn & Rs 544 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.

50.2.1 (e) Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

The Bank/Group calculates expected credit losses based on three probability-weighted scenarios. The weightages used by the Bank as at 31st December 2020 are disclosed in Note 3.4.6.7 along with the weightages used in 2019. During the year, due to the uncertainties created by COVID-19 pandemic, the Bank increased the weightage assigned to the worst case scenario by 20%, decreasing the weightage of the best case and base case scenarios by 10% each. Accordingly, the Bank's impairment provision increased by approximately Rs 500 Mn during the year.

A further 20% increase in the worst case scenario with a similar decrease in the base case scenario would have increased the collective impairment provision of the Bank/Group by approximately Rs 260 Mn as at 31st December 2020.

50.2.1 (f) Breakdown of loans classified under stage 2

Loans classified under the Stage 2 includes contractually past due loans and loans which have been pushed to Stage 2 based on the criteria specified in the Note 3.4.6.1 (b).

Bank

As at 31st December	2020			Total Rs 000	2019 Total Rs 000
	Not Contractually Past due 0 - 30 Days Rs 000	Contractually Past due 31 - 60 Days Rs 000	61 - 90 Days Rs 000		
Term loans	32,276,528	71,985,336	450,137	104,712,001	92,268,140
Overdrafts	8,568,455	7,204,156	710,380	16,482,991	11,742,501
Import loans	5,931,868	5,252,914	8,422	11,193,204	10,577,183
Others	15,517,122	17,346,775	411,615	33,275,512	18,624,336
	62,293,973	101,789,181	1,580,554	165,663,708	133,212,160

Group

As at 31st December	2020			Total Rs 000	2019 Total Rs 000
	Not Contractually Past due 0 - 30 Days Rs 000	Contractually Past due 31 - 60 Days Rs 000	61 - 90 Days Rs 000		
Term loans	32,397,452	72,531,734	680,690	105,609,876	93,692,087
Overdrafts	8,568,455	7,204,156	710,380	16,482,991	11,742,501
Import loans	5,931,868	5,252,914	8,422	11,193,204	10,577,183
Others	20,822,071	21,027,169	3,267,645	45,116,885	26,602,072
	67,719,846	106,015,973	4,667,137	178,402,956	142,613,843

50.2.1 (g) Overview of rescheduled/restructured loans & advances

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 cash flows of such loans.

As at 31st December 2020

	Amortised Cost			Impairment for ECL			Net Carrying Value Rs 000
	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Bank	82,172,171	9,255,700	91,427,871	3,080,491	3,057,339	6,137,830	85,290,041
Group	82,436,054	10,499,338	92,935,392	3,085,665	3,255,872	6,341,537	86,593,855

As at 31st December 2019

	Amortised Cost			Impairment for ECL			Net Carrying Value Rs 000
	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	
Bank	65,927,802	12,552,441	78,480,243	2,316,132	4,073,140	6,389,272	72,090,971
Group	66,245,290	13,212,104	79,457,394	2,319,881	4,142,614	6,462,495	72,994,899

50.2.1 (h) Analysis of loans & advances eligible for COVID-19 debt moratorium - Phase 2

Following table shows the stage-wise analysis of loan and advances which are under COVID-19 debt moratorium phase - 2. The Group Accounting Policy to determine the stage of these loans is given in Note 3.4.6.12.

As at 31st December 2020	Bank		Group	
	Amortised Cost Rs 000	Impairment for ECL Rs 000	Amortised Cost Rs 000	Impairment for ECL Rs 000
Stage 1	113,283,925	1,324,715	114,373,578	1,351,844
Stage 2	110,055,224	8,441,536	111,811,258	8,482,372
Stage 3	5,407,695	1,925,999	7,806,580	2,190,416
	228,746,844	11,692,250	233,991,416	12,024,632

Impairment for expected credit losses for loans and advances classified under stage 1 includes, an additional provision of approximately Rs 750 Mn by way of an allowance for overlay, in anticipation that some of these loans would move into Stage 2 and Stage 3 after the end of the 2nd phase of the COVID-19 moratorium.

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50 RISK MANAGEMENT CONTD.

50.2.2 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, generally related to the import or export of goods. Such commitments expose the Bank to risks similar to loans and are mitigated by the same control processes and policies.

50.2.3 Collateral and Other Credit Enhancements

50.2.3 (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.

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	2020		2019	
		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	29,089,949	11,094,106	17,802,915	2,557,866
Placements with banks	22	3,228,613	3,228,613	7,251,916	7,251,916
Reverse repurchase agreements		4,450,557	-	-	-
Derivative financial instruments	23	2,186,515	2,186,515	862,754	862,754
Financial assets recognised through profit or loss - measured at fair value	24	9,313,628	9,313,628	11,130,230	11,130,230
Financial assets at amortised cost					
- loans & advances *	25	758,942,290	297,408,763	719,623,694	266,096,658
- debt & other instruments	26	277,356,039	272,002,304	157,186,867	150,659,660
Financial assets - fair value through other comprehensive income	27	24,237,803	24,237,803	17,331,724	17,331,724
Other assets		4,772,493	4,772,493	7,152,067	7,152,067
		1,113,577,887	624,244,225	938,342,167	463,042,875

Group

As at 31st December	Note	2020		2019	
		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	29,255,300	11,140,176	17,991,348	2,596,340
Placements with banks	22	3,228,613	3,228,613	7,251,916	7,251,916
Reverse repurchase agreements		6,231,719	-	2,304,392	-
Derivative financial instruments	23	2,186,515	2,186,515	862,754	862,754
Financial assets recognised through profit or loss - measured at fair value	24	9,313,628	9,313,628	11,130,230	11,130,230
Financial assets at amortised cost					
- loans & advances *	25	794,079,619	299,179,478	751,077,905	266,834,878
- debt & other instruments	26	277,390,184	272,036,449	157,202,168	150,674,961
Financial assets - fair value through other comprehensive income	27	24,237,859	24,237,859	17,331,780	17,331,780
Other assets		5,383,794	5,383,794	7,522,839	7,522,839
		1,151,307,231	626,706,512	972,675,332	464,205,698

* Approximately 40% and 7% of the total loans & advances of the Bank/Group are secured against immovable property and cash/deposits held within the Bank/Group respectively. Further 13% of the loans & advances are secured against other securities including movable property, gold, lease receivables, etc. Approximately 70% of stage 3 loans & advances of the Bank/Group are secured against immovable property and cash/deposits held within the Bank/Group.

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50.2.3 (b) 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.

50.2.3 (c) 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	Gross Amount	2020 Amount Subject to Netting but do not Qualify for Offsetting	Net Amount	Gross Amount	2019 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	49,402,863	36,979,848	12,423,015	52,485,553	39,834,185	12,651,368
Financial Liabilities						
Securities sold under repurchase agreements	3,399,896	3,399,896	-	16,398,511	16,398,511	-

Group

As at 31st December	Gross Amount	2020 Amount Subject to Netting but do not Qualify for Offsetting	Net Amount	Gross Amount	2019 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	49,668,663	37,217,521	12,451,142	52,933,868	40,057,681	12,876,187
Financial Liabilities						
Securities sold under repurchase agreements	2,306,896	2,306,896	-	16,384,511	16,384,511	-

50.2.4 Analysis of Risk Concentration

The Concentration risk is monitored/managed through borrower/group, sector, product etc. Maximum exposure of both funded and non funded facilities to a company and a group as at the reporting date was Rs 14,500 Mn and Rs 27,482 Mn respectively. The following tables show the exposure to credit risk for the components of the Statement of Financial Position, including geography of counterparty and industry.

50.2.4.1 Geographical Distribution

(a) Bank

As at 31st December	Sri Lanka Rs 000	2020 Overseas Rs 000	Total Rs 000	Sri Lanka Rs 000	2019 Overseas Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	20,837,545	8,216,040	29,053,585	15,377,204	2,411,972	17,789,176
Balances with Central Bank of Sri Lanka	13,335,178	-	13,335,178	31,028,270	-	31,028,270
Placements with banks	-	3,228,166	3,228,166	181,020	7,070,285	7,251,305
Reverse repurchase agreements	4,450,557	-	4,450,557	-	-	-
Derivative financial instruments	2,032,294	154,221	2,186,515	799,506	63,248	862,754
Financial assets recognised through profit or loss - measured at fair value	9,313,628	-	9,313,628	11,130,230	-	11,130,230
Financial assets at amortised cost						
- loans & advances *	694,668,624	25,546,623	720,215,247	665,140,860	24,236,644	689,377,504
- debt & other instruments	275,091,572	-	275,091,572	156,293,495	-	156,293,495
Financial assets - fair value through other comprehensive income	20,707,612	3,530,191	24,237,803	15,458,658	1,873,066	17,331,724
Other assets	4,029,958	742,535	4,772,493	6,238,357	913,710	7,152,067
Total	1,044,466,968	41,417,776	1,085,884,744	901,647,600	36,568,925	938,216,525

* Provincial breakdown for loans & advances within Sri Lanka

Province	Bank	
	2020 Rs 000	2019 Rs 000
Central	44,519,112	44,213,075
Eastern	14,281,891	13,459,293
North Central	15,890,068	14,087,045
North Western	34,048,336	32,402,105
Northern	12,848,305	12,291,936
Sabaragamuwa	14,796,880	14,355,439
Southern	29,339,104	29,979,357
Uva	12,519,739	12,031,380
Western	516,425,189	492,321,230
Total	694,668,624	665,140,860

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(b) Group

As at 31st December	Sri Lanka Rs 000	2020 Overseas Rs 000	Total Rs 000	Sri Lanka Rs 000	2019 Overseas Rs 000	Total Rs 000
Financial Assets						
Cash & cash equivalents	21,002,881	8,216,040	29,218,921	15,565,626	2,411,972	17,977,598
Balances with Central Bank of Sri Lanka	13,335,178	-	13,335,178	31,028,270	-	31,028,270
Placements with banks	-	3,228,166	3,228,166	181,020	7,070,285	7,251,305
Reverse repurchase agreements	6,231,719	-	6,231,719	2,304,392	-	2,304,392
Derivative financial instruments	2,032,294	154,221	2,186,515	799,506	63,248	862,754
Financial assets recognised through profit or loss - measured at fair value	9,313,628	-	9,313,628	11,130,230	-	11,130,230
Financial assets at amortised cost						
- loans & advances *	726,891,159	25,546,623	752,437,782	694,809,990	24,236,644	719,046,634
- debt & other instruments	275,125,717	-	275,125,717	156,308,796	-	156,308,796
Financial assets - fair value through other comprehensive income	20,707,668	3,530,191	24,237,859	15,458,714	1,873,066	17,331,780
Other assets	4,641,259	742,535	5,383,794	6,609,129	913,710	7,522,839
Total	1,079,281,503	41,417,776	1,120,699,279	934,195,673	36,568,925	970,764,598

* Provincial breakdown for loans & advances within Sri Lanka

Province	Group	
	2020 Rs 000	2019 Rs 000
Central	49,104,471	48,891,794
Eastern	17,374,800	16,695,317
North Central	17,377,560	15,517,479
North Western	37,921,046	36,291,525
Northern	13,614,392	12,855,557
Sabaragamuwa	16,954,003	16,483,770
Southern	31,992,535	32,685,480
Uva	12,949,179	12,448,131
Western	529,603,173	502,940,937
Total	726,891,159	694,809,990

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(c) Group - as at 31st December 2020

	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	-	-	-	-	-	-	-	29,218,921	-	-	29,218,921
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	13,335,178	-	-	13,335,178
Placements with banks	-	-	-	-	-	-	-	3,228,166	-	-	3,228,166
Reverse repurchase agreements	-	-	-	-	-	-	-	6,231,719	-	-	6,231,719
Derivative financial instruments	1,319	-	-	-	-	-	164,372	2,011,926	8,898	-	2,186,515
Financial assets recognised through profit or loss - measured at fair value	-	-	-	-	-	-	-	9,307,242	6,386	-	9,313,628
Financial assets at amortised cost											
- loans & advances	61,910,737	100,215,150	61,093,176	12,381,118	113,154,634	55,102,596	123,168,115	52,044,181	65,184,492	108,183,583	752,437,782
- debt & other instruments	-	-	-	-	-	-	-	275,125,717	-	-	275,125,717
Financial assets - fair value through other comprehensive income	-	-	-	-	-	-	-	24,203,454	34,405	-	24,237,859
Other assets	-	-	-	-	-	-	-	4,752,318	631,476	-	5,383,794
Total	61,912,056	100,215,150	61,093,176	12,381,118	113,154,634	55,102,596	123,332,487	419,458,822	65,865,657	108,183,583	1,120,699,279

(d) Group - as at 31st December 2019

	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	-	-	-	-	-	-	-	17,977,598	-	-	17,977,598
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	31,028,270	-	-	31,028,270
Placements with banks	-	-	-	-	-	-	-	7,251,305	-	-	7,251,305
Reverse repurchase agreements	-	-	-	-	-	-	-	2,304,392	-	-	2,304,392
Derivative financial instruments	108	-	-	-	-	-	11,575	851,071	-	-	862,754
Financial assets recognised through profit or loss - measured at fair value	-	-	-	-	-	-	-	11,125,932	4,298	-	11,130,230
Financial assets at amortised cost											
- loans & advances	60,743,922	90,194,990	57,899,871	10,524,834	110,016,617	52,315,798	135,104,664	43,904,886	63,273,468	95,067,584	719,046,634
- debt & other instruments	24,258	-	-	-	303,678	-	-	155,980,860	-	-	156,308,796
Financial assets - fair value through other comprehensive income	-	-	-	-	-	-	-	17,292,402	39,378	-	17,331,780
Other assets	-	-	18,115	-	-	-	-	6,480,548	1,024,176	-	7,522,839
Total	60,768,288	90,194,990	57,917,986	10,524,834	110,320,295	52,315,798	135,116,239	294,197,264	64,341,320	95,067,584	970,764,598

50.2.5 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 for commitments and contingencies are disclosed in the Note No. 45.

50.3 Liquidity Risk and Funding Management

Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence the Bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow. The Bank also has committed lines of credit that could be utilised to meet liquidity needs. Further, the Bank maintained a statutory deposit with the Central Bank of Sri Lanka equal to 2% (5% - 2019) of customer rupee deposits. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Bank. The most important of this is to maintain the required ratio of liquid assets to liabilities, to meet the regulatory requirement (20%). Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale. Further the Statutory Liquid Assets Ratio of the Bank for the month of December 2020 is as follows.

50.3.1 Statutory Liquid Assets Ratio (SLAR)

For the month of December	2020 %	2019 %
Domestic Banking Unit (DBU)	34.98	21.51
Foreign Currency Banking Unit (FCBU)	37.60	26.88

50.3.2 Loans & Advances to Deposits (due to banks and due to depositors) Ratio

The Bank is aware of the importance of deposits as a source of funds for its lending operations. This is monitored using the following ratio, which compares loans & advances to deposits.

Loans & advances to deposits ratio as at 31st December 2020: 85.58% (2019: 100.18%)

The ratio has increased during 2019 mainly due to two reasons. The Bank raised Tier I and Tier II capitals amounting to Rs 32.2 Bn and Rs 20.5 Bn respectively from 2017 to 2019 to comply with Basel III enhanced capital requirements. In addition, the Statutory Reserve Requirement (SRR) was decreased by 1.5% in November 2018 and subsequently 1% in March 2019 resulting a release of funds amounting to Rs 15 Bn approximately. Due to both these reasons, raising deposits to fund new loan growth was curtailed during the year 2019.

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50.3.3 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's financial assets and financial liabilities as at 31st December 2020. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history.

Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Financial Liabilities

(a) Bank - as at 31st December 2020

	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	29,053,585	-	-	-	-	29,053,585
Balances with Central Bank of Sri Lanka	7,640,147	3,868,434	1,268,863	392,591	165,143	13,335,178
Placements with banks	3,228,166	-	-	-	-	3,228,166
Reverse repurchase agreements	4,450,557	-	-	-	-	4,450,557
Derivative financial instruments	372,430	1,814,085	-	-	-	2,186,515
Financial assets recognised through profit or loss - measured at fair value	9,313,628	-	-	-	-	9,313,628
Financial assets at amortised cost						
- loans & advances	247,267,925	155,631,025	195,174,542	112,566,283	135,614,586	846,254,361
- debt & other instruments	39,906,342	132,467,738	94,317,633	21,951,934	20,271,936	308,915,583
Financial assets - fair value through other comprehensive income						
	108,124	16,456,959	3,081,910	492,287	4,098,523	24,237,803
Other assets	1,787,604	2,856,809	48,917	-	88,095	4,781,425
Total Financial Assets	343,128,508	313,095,050	293,891,865	135,403,095	160,238,283	1,245,756,801
Financial Liabilities						
Due to banks	1,496,626	26,500	-	-	-	1,523,126
Derivative financial instruments	241,802	1,789,145	-	-	-	2,030,947
Securities sold under repurchase agreements	3,318,754	90,740	-	-	-	3,409,494
Financial liabilities at amortised cost						
- due to depositors	508,356,662	272,259,332	95,238,350	26,971,578	9,838,956	912,664,878
- due to other borrowers	9,201,130	22,838,602	15,654,481	720,085	2,960,455	51,374,753
- due to debt securities holders	1,440,466	7,985,013	21,058,717	7,973,000	-	38,457,196
Dividend payable	121,270	-	-	-	-	121,270
Other liabilities	8,513,078	4,115,310	1,868,142	703,817	982,353	16,182,700
Total Financial Liabilities	532,689,788	309,104,642	133,819,690	36,368,480	13,781,764	1,025,764,364
Total Net Financial Assets/(Liabilities)	(189,561,280)	3,990,408	160,072,175	99,034,615	146,456,519	219,992,437

(b) Bank - as at 31st December 2019

	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	17,789,176	-	-	-	-	17,789,176
Balances with Central Bank of Sri Lanka	17,217,351	10,978,151	1,180,284	1,245,035	407,449	31,028,270
Placements with banks	7,251,558	-	-	-	-	7,251,558
Derivative financial instruments	673,590	189,164	-	-	-	862,754
Financial assets recognised through profit or loss - measured at fair value	11,130,230	-	-	-	-	11,130,230
Financial assets at amortised cost						
- loans & advances	240,953,188	160,474,683	202,523,359	118,261,598	139,096,129	861,308,957
- debt & other instruments	33,235,767	55,128,002	51,909,469	29,648,184	7,909,408	177,830,830
Financial assets - fair value through other comprehensive income	939,779	14,476,827	-	3,918	1,911,200	17,331,724
Other assets	2,220,994	4,800,144	47,036	24,938	74,017	7,167,129
Total Financial Assets	331,411,633	246,046,971	255,660,148	149,183,673	149,398,203	1,131,700,628
Financial Liabilities						
Due to banks	1,511,665	-	-	-	-	1,511,665
Derivative financial instruments	554,315	49,754	-	-	-	604,069
Securities sold under repurchase agreements	15,998,318	432,440	-	-	-	16,430,758
Financial liabilities at amortised cost						
- due to depositors	409,061,675	262,934,951	28,983,851	31,961,664	8,556,967	741,499,108
- due to other borrowers	14,701,482	13,089,979	21,410,702	6,054,285	6,668,874	61,925,322
- due to debt securities holders	2,138,579	9,883,070	18,084,196	19,467,715	-	49,573,560
Dividend payable	88,898	-	-	-	-	88,898
Other liabilities	5,859,297	3,415,754	2,735,603	871,128	1,190,900	14,072,682
Total Financial Liabilities	449,914,229	289,805,948	71,214,352	58,354,792	16,416,741	885,706,062
Total Net Financial Assets/(Liabilities)	(118,502,596)	(43,758,977)	184,445,796	90,828,881	132,981,462	245,994,566

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(c) Group - as at 31st December 2020

	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	29,218,921	-	-	-	-	29,218,921
Balances with Central Bank of Sri Lanka	7,640,147	3,868,434	1,268,863	392,591	165,143	13,335,178
Placements with banks	3,228,166	-	-	-	-	3,228,166
Reverse repurchase agreements	5,225,483	1,058,498	-	-	-	6,283,981
Derivative financial instruments	372,430	1,814,085	-	-	-	2,186,515
Financial assets recognised through profit or loss - measured at fair value	9,313,628	-	-	-	-	9,313,628
Financial assets at amortised cost						
- loans & advances	257,543,078	168,014,751	211,757,388	117,366,170	135,648,153	890,329,540
- debt & other instruments	39,906,342	132,501,203	94,317,633	21,951,934	20,271,936	308,949,048
Financial assets - fair value through other comprehensive income						
Other assets	108,125	16,456,959	3,081,910	492,287	4,098,578	24,237,859
Total Financial Assets	355,089,719	326,649,534	310,681,238	140,202,982	160,271,905	1,292,895,378
Financial Liabilities						
Due to banks	1,497,557	26,500	-	-	-	1,524,057
Derivative financial instruments	241,802	1,789,145	-	-	-	2,030,947
Securities sold under repurchase agreements	2,225,628	90,740	-	-	-	2,316,368
Financial liabilities at amortised cost						
- due to depositors	514,286,994	281,194,646	98,551,302	27,604,151	9,840,219	931,477,312
- due to other borrowers	10,920,575	25,388,222	18,837,675	1,497,086	2,960,455	59,604,013
- due to debt securities holders	1,474,968	9,646,455	25,453,683	9,661,013	-	46,236,119
Dividend payable	121,270	-	-	-	-	121,270
Other liabilities	9,188,643	4,028,148	1,464,447	727,186	1,018,866	16,427,290
Total Financial Liabilities	539,957,437	322,163,856	144,307,107	39,489,436	13,819,540	1,059,737,376
Total Net Financial Assets/(Liabilities)	(184,867,718)	4,485,678	166,374,131	100,713,546	146,452,365	233,158,002

(d) Group - as at 31st December 2019

	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	17,977,598	-	-	-	-	17,977,598
Balances with Central Bank of Sri Lanka	17,217,352	10,978,151	1,180,284	1,245,035	407,448	31,028,270
Placements with banks	7,251,559	-	-	-	-	7,251,559
Reverse repurchase agreements	743,966	1,674,996	-	-	-	2,418,962
Derivative financial instruments	673,590	189,164	-	-	-	862,754
Financial assets recognised through profit or loss - measured at fair value	11,130,230	-	-	-	-	11,130,230
Financial assets at amortised cost						
- loans & advances	250,434,108	171,494,607	217,959,316	122,492,685	139,175,266	901,555,982
- debt & other instruments	33,235,767	55,139,509	51,913,769	29,648,184	7,909,408	177,846,637
Financial assets - fair value through other comprehensive income	939,779	14,476,827	-	3,918	1,911,256	17,331,780
Other assets	2,600,814	4,846,241	47,089	24,938	74,017	7,593,099
Total Financial Assets	342,204,763	258,799,495	271,100,458	153,414,760	149,477,395	1,174,996,871
Financial Liabilities						
Due to banks	1,567,974	-	-	-	-	1,567,974
Derivative financial instruments	554,315	49,754	-	-	-	604,069
Securities sold under repurchase agreements	15,984,313	432,440	-	-	-	16,416,753
Financial liabilities at amortised cost						
- due to depositors	413,370,556	270,785,563	30,913,157	32,830,960	8,557,519	756,457,755
- due to other borrowers	21,309,445	18,286,462	28,050,140	8,249,642	6,668,874	82,564,563
- due to debt securities holders	2,138,579	9,883,070	21,029,184	21,447,595	-	54,498,428
Dividend payable	88,898	-	-	-	-	88,898
Other liabilities	6,377,387	2,871,835	1,656,204	905,346	1,256,147	13,066,919
Total Financial Liabilities	461,391,467	302,309,124	81,648,685	63,433,543	16,482,540	925,265,359
Total Net Financial Assets/(Liabilities)	(119,186,704)	(43,509,629)	189,451,773	89,981,217	132,994,855	249,731,512

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50.3.4 Remaining Contractual Maturities of Commitments and Contingencies

The tables below show the contractual expiry by remaining maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(a) Bank - as at 31st December 2020

	On Demand Rs 000	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Credit related commitments & contingencies						
Undrawn-direct credit facilities	159,176,139	-	-	-	-	159,176,139
Undrawn-indirect credit facilities	54,713,490	-	-	-	-	54,713,490
Acceptances	181,279	22,828,749	8,804,294	84,641	-	31,898,963
Documentary credit	2,334,101	17,306,112	5,132,944	40,616	-	24,813,773
Guarantees	8,999,321	10,601,145	23,840,862	10,291,336	2,994	53,735,658
	225,404,330	50,736,006	37,778,100	10,416,593	2,994	324,338,023
Other commitments & contingencies						
Capital Commitments	1,299,104	-	-	-	-	1,299,104
Operating lease commitments - as lessee	-	17,516	23,986	-	-	41,502
Forward exchange contracts	-	78,879,444	79,533,482	-	-	158,412,926
	1,299,104	78,896,960	79,557,468	-	-	159,753,532
Total gross commitments & contingencies	226,703,434	129,632,966	117,335,568	10,416,593	2,994	484,091,555
Impairment for expected credit losses - credit related commitments & contingencies	(1,067,230)	(317,223)	(236,205)	(65,129)	(19)	(1,685,806)
Commitments & contingencies net of impairment for expected credit losses	225,636,204	129,315,743	117,099,363	10,351,464	2,975	482,405,749

(b) Bank - as at 31st December 2019

	On Demand Rs 000	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Credit related commitments & contingencies						
Undrawn-direct credit facilities	149,635,468	-	-	-	-	149,635,468
Undrawn-indirect credit facilities	45,464,712	-	-	-	-	45,464,712
Acceptances	26,319	10,239,789	3,882,260	21,436	-	14,169,804
Documentary credit	867,865	10,906,606	5,379,313	181,541	-	17,335,325
Guarantees	2,507,284	10,478,464	23,702,507	12,431,444	15,260	49,134,959
	198,501,648	31,624,859	32,964,080	12,634,421	15,260	275,740,268
Other commitments & contingencies						
Capital Commitments	998,348	-	-	-	-	998,348
Operating lease commitments - as lessee	-	19,422	26,865	-	-	46,287
Forward exchange contracts	-	78,813,708	37,235,117	-	-	116,048,825
	998,348	78,833,130	37,261,982	-	-	117,093,460
Total gross commitments & contingencies	199,499,996	110,457,989	70,226,062	12,634,421	15,260	392,833,728
Impairment for expected credit losses - credit related commitments & contingencies	(941,864)	(194,635)	(202,877)	(77,758)	(94)	(1,417,228)
Commitments & contingencies net of impairment for expected credit losses	198,558,132	110,263,354	70,023,185	12,556,663	15,166	391,416,500

(c) Group - as at 31st December 2020

	On Demand Rs 000	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Credit related commitments and contingencies						
Undrawn-direct credit facilities	153,070,089	-	-	-	-	153,070,089
Undrawn-indirect credit facilities	54,713,490	-	-	-	-	54,713,490
Acceptances	181,279	22,828,749	8,804,294	84,641	-	31,898,963
Documentary credit	2,334,101	17,306,112	5,132,944	40,616	-	24,813,773
Guarantees	8,999,321	10,601,145	23,847,362	10,291,336	2,994	53,742,158
	219,298,280	50,736,006	37,784,600	10,416,593	2,994	318,238,473
Other commitments and contingencies						
Capital Commitments	1,299,104	348,755	1,313,682	-	-	2,961,541
Operating lease commitments - as lessee	-	17,516	23,986	-	-	41,502
Forward exchange contracts	-	78,879,444	79,533,482	-	-	158,412,926
	1,299,104	79,245,715	80,871,150	-	-	161,415,969
Total gross commitments & contingencies	220,597,384	129,981,721	118,655,750	10,416,593	2,994	479,654,442
Impairment for expected credit losses - credit related commitments and contingencies	(1,068,348)	(317,223)	(236,205)	(65,128)	(19)	(1,686,923)
Commitments and contingencies net of impairment for expected credit losses	219,529,036	129,664,498	118,419,545	10,351,465	2,975	477,967,519

(d) Group - as at 31st December 2019

	On Demand Rs 000	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Credit related commitments and contingencies						
Undrawn-direct credit facilities	145,568,721	-	-	-	-	145,568,721
Undrawn-indirect credit facilities	45,464,712	-	-	-	-	45,464,712
Acceptances	26,319	10,239,789	3,882,260	21,436	-	14,169,804
Documentary credit	867,865	10,906,606	5,379,313	181,541	-	17,335,325
Guarantees	2,507,284	10,478,464	23,707,707	12,431,444	15,260	49,140,159
	194,434,901	31,624,859	32,969,280	12,634,421	15,260	271,678,721
Other commitments and contingencies						
Capital Commitments	998,348	484,512	800,240	-	-	2,283,100
Operating lease commitments - as lessee	-	19,422	26,865	-	-	46,287
Forward exchange contracts	-	78,813,708	37,235,117	-	-	116,048,825
	998,348	79,317,642	38,062,222	-	-	118,378,212
Total gross commitments & contingencies	195,433,249	110,942,501	71,031,502	12,634,421	15,260	390,056,933
Impairment for expected credit losses - credit related commitments and contingencies	(942,140)	(194,635)	(202,877)	(77,758)	(94)	(1,417,504)
Commitments and contingencies net of impairment for expected credit losses	194,491,109	110,747,866	70,828,625	12,556,663	15,166	388,639,429

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50 RISK MANAGEMENT CONTD.

50.4 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 classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

50.4.1 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank's policy is to continuously monitor positions on a daily basis and periodic interest re-pricing strategies are used to ensure positions are maintained within prudential levels.

The following tables demonstrate the sensitivity of the Bank's Statement of Profit or Loss for the year ended 31st December 2020 and 31st December 2019 to a reasonable possible change in interest rates, with all other variables held constant.

Rate Sensitive Assets (RSA) & Rate Sensitive Liabilities (RSL)

As at 31st December	2020 Rs 000	2019 Rs 000
Rate Sensitive Assets (RSA)*	730,855,077	650,356,608
Rate Sensitive Liabilities (RSL)*	801,660,800	731,689,896
GAP (RSA - RSL)	(70,805,723)	(81,333,288)

Impact on Statement of Profit or Loss due to Interest Rate Shocks

As at 31st December	2020 Rs 000	2019 Rs 000
Interest Rate Shock		
0.50%	(184,138)	(31,834)
1.00%	(368,276)	(63,668)
(0.50%)	184,138	31,834
(1.00%)	368,276	63,668

* The above computation is based on the rate sensitive assets and liabilities which are matured or re-priced within one year.

Interest Rate Sensitivity Analysis

The tables below analyse the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

(a) Bank - as at 31st December 2020

	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	2,781,418	-	-	-	-	26,272,167	29,053,585
Balances with Central Bank of Sri Lanka	-	-	-	-	-	13,335,178	13,335,178
Placements with banks	3,228,166	-	-	-	-	-	3,228,166
Reverse repurchase agreements	4,450,557	-	-	-	-	-	4,450,557
Derivative financial instruments	-	-	-	-	-	2,186,515	2,186,515
Financial assets recognised through profit or loss - measured at fair value	9,251,557	-	-	-	-	62,071	9,313,628
Financial assets at amortised cost							
- loans & advances	389,856,980	104,471,276	90,361,699	52,451,242	83,008,764	65,286	720,215,247
- debt & other instruments	66,498,257	133,751,781	46,375,558	16,150,902	12,315,074	-	275,091,572
Financial assets - fair value through other comprehensive income	108,126	16,456,959	3,081,910	492,287	535,198	3,563,323	24,237,803
Other assets	-	-	-	-	-	4,772,493	4,772,493
Total Financial Assets	476,175,061	254,680,016	139,819,167	69,094,431	95,859,036	50,257,033	1,085,884,744
Financial Liabilities							
Due to banks	583	25,777	-	-	-	1,496,042	1,522,402
Derivative financial instruments	-	-	-	-	-	2,030,947	2,030,947
Securities sold under repurchase agreements	3,311,755	88,141	-	-	-	-	3,399,896
Financial liabilities at amortised cost							
- due to depositors	474,154,226	275,459,858	73,492,591	6,742,068	-	55,876,158	885,724,901
- due to other borrowers	27,105,035	13,983,450	4,260,462	373,394	3,329,019	1,235	49,052,595
- due to debt securities holders	1,082,941	6,449,034	16,258,032	7,000,000	-	-	30,790,007
Dividend payable	-	-	-	-	-	121,270	121,270
Other liabilities	-	-	-	-	-	14,457,170	14,457,170
Total Financial Liabilities	505,654,540	296,006,260	94,011,085	14,115,462	3,329,019	73,982,822	987,099,188
Interest Rate Sensitivity Gap	(29,479,479)	(41,326,244)	45,808,082	54,978,969	92,530,017	(23,725,789)	98,785,556

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50 RISK MANAGEMENT CONTD.
(b) Bank - as at 31st December 2019

	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	-	-	-	-	-	17,789,176	17,789,176
Balances with Central Bank of Sri Lanka	-	-	-	-	-	31,028,270	31,028,270
Placements with banks	7,251,305	-	-	-	-	7,251,305	7,251,305
Derivative financial instruments	-	-	-	-	-	862,754	862,754
Financial assets recognised through profit or loss - measured at fair value	11,057,953	-	-	-	-	72,277	11,130,230
Financial assets at amortised cost							
- loans & advances	388,718,216	95,336,964	77,237,114	48,861,265	78,813,535	410,410	689,377,504
- debt & other instruments	61,253,870	71,321,694	8,209,067	11,712,972	3,795,892	-	156,293,495
Financial assets - fair value through other comprehensive income	939,779	14,476,827	-	3,918	-	1,911,200	17,331,724
Other assets	-	-	-	-	-	7,152,067	7,152,067
Total Financial Assets	469,221,123	181,135,485	85,446,181	60,578,155	82,609,427	59,226,154	938,216,525
Financial Liabilities							
Due to banks	568	-	-	-	-	1,511,097	1,511,665
Derivative financial instruments	-	-	-	-	-	604,069	604,069
Securities sold under repurchase agreements	15,983,615	414,896	-	-	-	-	16,398,511
Financial liabilities at amortised cost							
- due to depositors	393,460,641	261,926,202	14,514,623	10,966,070	-	36,382,956	717,250,492
- due to other borrowers	42,525,609	8,715,725	1,401,847	188,296	2,830,252	-	55,661,729
- due to debt securities holders	1,082,941	7,579,699	11,952,650	17,026,759	-	-	37,642,049
Dividend payable	-	-	-	-	-	88,898	88,898
Other liabilities	-	-	-	-	-	12,320,390	12,320,390
Total Financial Liabilities	453,053,374	278,636,522	27,869,120	28,181,125	2,830,252	50,907,410	841,477,803
Interest Rate Sensitivity Gap	16,167,749	(97,501,037)	57,577,061	32,397,030	79,779,175	8,318,744	96,738,722

(c) Group - as at 31st December 2020

	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	2,781,418	-	-	-	-	26,437,503	29,218,921
Balances with Central Bank of Sri Lanka	-	-	-	-	-	13,335,178	13,335,178
Placements with banks	3,228,166	-	-	-	-	-	3,228,166
Reverse repurchase agreements	5,224,437	1,007,282	-	-	-	-	6,231,719
Derivative financial instruments	-	-	-	-	-	2,186,515	2,186,515
Financial assets recognised through profit or loss - measured at fair value	9,251,557	-	-	-	-	62,071	9,313,628
Financial assets at amortised cost							
- loans & advances	395,524,803	113,405,967	103,503,047	56,934,073	83,004,606	65,286	752,437,782
- debt & other instruments	66,498,256	133,785,926	46,375,559	16,150,902	12,315,074	-	275,125,717
Financial assets - fair value through other comprehensive income	108,126	16,456,959	3,081,910	492,287	535,198	3,563,379	24,237,859
Other assets	-	-	-	-	-	5,383,794	5,383,794
Total Financial Assets	482,616,763	264,656,134	152,960,516	73,577,262	95,854,878	51,033,726	1,120,699,279
Financial Liabilities							
Due to banks	1,515	25,777	-	-	-	1,496,041	1,523,333
Derivative financial instruments	-	-	-	-	-	2,030,947	2,030,947
Securities sold under repurchase agreements	2,218,755	88,141	-	-	-	-	2,306,896
Financial liabilities at amortised cost							
- due to depositors	479,529,956	283,583,081	76,235,188	7,293,588	1,263	55,855,663	902,498,739
- due to other borrowers	35,186,488	13,720,908	4,260,462	373,394	3,329,019	1,235	56,871,506
- due to debt securities holders	1,103,365	7,857,086	19,618,032	8,500,000	-	-	37,078,483
Dividend payable	-	-	-	-	-	121,270	121,270
Other liabilities	-	-	-	-	-	14,678,824	14,678,824
Total Financial Liabilities	518,040,079	305,274,993	100,113,682	16,166,982	3,330,282	74,183,980	1,017,109,998
Interest Rate Sensitivity Gap	(35,423,316)	(40,618,859)	52,846,834	57,410,280	92,524,596	(23,150,254)	103,589,281

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50 RISK MANAGEMENT CONTD.
(d) Group - as at 31st December 2019

	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	-	-	-	-	-	17,977,598	17,977,598
Balances with Central Bank of Sri Lanka	-	-	-	-	-	31,028,270	31,028,270
Placements with banks	7,251,305	-	-	-	-	-	7,251,305
Reverse repurchase agreements	742,787	1,561,605	-	-	-	-	2,304,392
Derivative financial instruments	-	-	-	-	-	862,754	862,754
Financial assets recognised through profit or loss - measured at fair value	11,057,953	-	-	-	-	72,277	11,130,230
Financial assets at amortised cost							
- loans & advances	394,249,514	102,782,185	89,256,722	53,444,090	78,883,713	410,410	719,046,634
- debt & other instruments	61,253,870	71,332,465	8,213,597	11,712,972	3,795,892	-	156,308,796
Financial assets - fair value through other comprehensive income	939,779	14,476,827	-	3,918	-	1,911,256	17,331,780
Other assets	-	-	-	-	-	7,522,839	7,522,839
Total Financial Assets	475,495,208	190,153,082	97,470,319	65,180,980	82,679,605	59,785,404	970,764,598
Financial Liabilities							
Due to banks	56,877	-	-	-	-	1,511,097	1,567,974
Derivative financial instruments	-	-	-	-	-	604,069	604,069
Securities sold under repurchase agreements	15,969,615	414,896	-	-	-	-	16,384,511
Financial liabilities at amortised cost							
- due to depositors	397,362,075	268,840,496	15,906,907	11,707,381	552	36,372,231	730,189,642
- due to other borrowers	53,635,534	9,150,818	1,506,266	188,296	2,830,252	-	67,311,166
- due to debt securities holders	1,082,941	7,731,226	14,030,660	18,526,759	-	-	41,371,586
Dividend payable	-	-	-	-	-	88,898	88,898
Other liabilities	-	-	-	-	-	12,276,319	12,276,319
Total Financial Liabilities	468,107,042	286,137,436	31,443,833	30,422,436	2,830,804	50,852,614	869,794,165
Interest Rate Sensitivity Gap	7,388,166	(95,984,354)	66,026,486	34,758,544	79,848,801	8,932,790	100,970,433

50.4.2 Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Bank's Board has set limits on positions by 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.

The tables below indicate the currencies to which the Bank had significant exposures as at 31st December 2020 and 31st December 2019 and the effect to the gains/losses in case of a market exchange rates increase/decrease by 5% and 10%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non trading financial assets and liabilities) and equity (due to change in fair value of currency swaps and forward exchange contracts used as cash flow hedges). A negative amount in the "Impact on Statement of Profit or Loss" column of the table reflects a potential net reduction in Statement of Profit or Loss or equity, while a positive amount reflects a net potential increase.

Foreign Exchange Position as at 31st December	2020		2019	
	Net Overall Long Rs 000	Net Overall Short Rs 000	Net Overall Long Rs 000	Net Overall Short Rs 000
Currency				
USD	1,025,405	-	586,259	-
GBP	10,101	-	-	17,721
EUR	82,699	-	-	14,772
JPY	1,022	-	2,671	-
AUD	-	35,383	12,152	-
CAD	1,924	-	1,233	-
CHF	13,542	-	-	1,000
SGD	5,106	-	11,478	-
HKD	6,237	-	1,882	-
Sub Total	1,146,036	35,383	615,675	33,493
Other Currencies	50,684	-	59,625	-
Grand Total	1,196,720	35,383	675,300	33,493
Higher of Long or Short	1,196,720		675,300	

Impact on Statement of Profit or Loss due to Exchange Rate Shocks	2020		2019	
	Net Open Position (after Rate Shocks) Rs 000	Impact on Statement of Profit or Loss for the period ended 31st December Rs 000	Net Open Position (after Rate Shocks) Rs 000	Impact on Statement of Profit or Loss for the period ended 31st December Rs 000
5%	1,256,556	59,836	709,065	33,765
10%	1,316,392	119,672	742,830	67,530
(5%)	1,136,884	(59,836)	641,535	(33,765)
(10%)	1,077,048	(119,672)	607,770	(67,530)

NOTES TO THE FINANCIAL STATEMENTS

50 RISK MANAGEMENT CONTD.

50.4.3 Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. Investment Committee reviews and approves all equity investment decisions. Further the market value of the Bank's equity portfolio as of 31st December 2020 is Rs 62,071,056/- (2019: Rs 72,276,700/-).

50.5 Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Strategic and Reputational Risks are not covered in Operational Risk.

Operational Risks of the Bank are mitigated and managed through a Board approved Operational Risk Management Policy control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Group Chief Risk Officer and the Board Integrated Risk Management Committee which maintains a high level overall supervision of managing Operational Risks of the Bank.

50.6 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

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 8.0% and minimum total capital adequacy ratio of 12.0% as at 31st December 2020. The Bank has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

51 MATURITY ANALYSIS

(a) Bank

As at 31st December	2020			2019		
	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	29,053,585	-	29,053,585	17,789,176	-	17,789,176
Balances with Central Bank of Sri Lanka	11,508,580	1,826,598	13,335,178	28,195,503	2,832,767	31,028,270
Placements with banks	3,228,166	-	3,228,166	7,251,305	-	7,251,305
Reverse repurchase agreements	4,450,557	-	4,450,557	-	-	-
Derivative financial instruments	2,186,515	-	2,186,515	862,754	-	862,754
Financial assets recognised through profit or loss - measured at fair value	9,313,628	-	9,313,628	11,130,230	-	11,130,230
Financial assets at amortised cost						
- loans & advances	367,466,782	352,748,465	720,215,247	349,940,360	339,437,144	689,377,504
- debt & other instruments	162,717,414	112,374,158	275,091,572	82,133,147	74,160,348	156,293,495
Financial assets - fair value through other comprehensive income	16,565,084	7,672,719	24,237,803	15,416,605	1,915,119	17,331,724
Investment in subsidiaries	-	3,350,774	3,350,774	-	2,394,701	2,394,701
Property, plant & equipment	-	8,126,285	8,126,285	-	8,466,366	8,466,366
Intangible assets	-	753,615	753,615	-	995,137	995,137
Right-of-use assets	1,308,500	1,971,666	3,280,166	1,300,324	2,758,895	4,059,219
Deferred tax assets	-	4,634,040	4,634,040	-	3,737,512	3,737,512
Other assets	5,819,830	3,194,163	9,013,993	8,184,077	3,449,028	11,633,105
Total Assets	613,618,641	496,652,483	1,110,271,124	522,203,481	440,147,017	962,350,498
Liabilities						
Due to banks	1,522,402	-	1,522,402	1,511,665	-	1,511,665
Derivative financial instruments	2,030,947	-	2,030,947	604,069	-	604,069
Securities sold under repurchase agreements	3,399,896	-	3,399,896	16,398,511	-	16,398,511
Financial liabilities at amortised cost						
- due to depositors	767,256,931	118,467,970	885,724,901	656,784,702	60,465,790	717,250,492
- due to other borrowers	30,854,546	18,198,049	49,052,595	26,219,989	29,441,740	55,661,729
- due to debt securities holders	7,531,975	23,258,032	30,790,007	8,615,290	29,026,759	37,642,049
Retirement benefit obligation	-	6,871,592	6,871,592	-	3,651,642	3,651,642
Dividend payable	121,270	-	121,270	88,898	-	88,898
Current tax liabilities	4,674,756	-	4,674,756	7,427,315	-	7,427,315
Other liabilities	16,156,739	2,377,215	18,533,954	13,972,756	3,135,588	17,108,344
Total Liabilities	833,549,462	169,172,858	1,002,722,320	731,623,195	125,721,519	857,344,714
Maturity Gap	(219,930,821)	327,479,625	107,548,804	(209,419,714)	314,425,498	105,005,784
Cumulative Gap	(219,930,821)	107,548,804		(209,419,714)	105,005,784	

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51 MATURITY ANALYSIS CONTD.

(b) Group

As at 31st December	2020			2019		
	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	29,218,921	-	29,218,921	17,977,598	-	17,977,598
Balances with Central Bank of Sri Lanka	11,508,580	1,826,598	13,335,178	28,195,503	2,832,767	31,028,270
Placements with banks	3,228,166	-	3,228,166	7,251,305	-	7,251,305
Reverse repurchase agreements	6,231,719	-	6,231,719	2,304,392	-	2,304,392
Derivative financial instruments	2,186,515	-	2,186,515	862,754	-	862,754
Financial assets recognised through profit or loss - measured at fair value	9,313,628	-	9,313,628	11,130,230	-	11,130,230
Financial assets at amortised cost						
- loans & advances	383,946,424	368,491,358	752,437,782	365,305,506	353,741,128	719,046,634
- debt & other instruments	162,751,559	112,374,158	275,125,717	82,143,918	74,164,878	156,308,796
Financial assets - fair value through other comprehensive income	16,565,084	7,672,775	24,237,859	15,416,605	1,915,175	17,331,780
Investment in subsidiaries	-	-	-	-	-	-
Property, plant & equipment	-	15,891,415	15,891,415	-	15,702,051	15,702,051
Intangible assets	-	791,689	791,689	-	1,055,341	1,055,341
Right-of-use assets	1,077,298	1,828,363	2,905,661	915,970	2,292,296	3,208,266
Current tax receivables	42,883	-	42,883	46,246	-	46,246
Deferred tax assets	-	4,653,496	4,653,496	-	3,738,064	3,738,064
Other assets	6,091,200	3,993,599	10,084,799	8,718,272	3,613,107	12,331,379
Total Assets	632,161,977	517,523,451	1,149,685,428	540,268,299	459,054,807	999,323,106
Liabilities						
Due to banks	1,523,333	-	1,523,333	1,567,974	-	1,567,974
Derivative financial instruments	2,030,947	-	2,030,947	604,069	-	604,069
Securities sold under repurchase agreements	2,306,896	-	2,306,896	16,384,511	-	16,384,511
Financial liabilities at amortised cost						
- due to depositors	780,735,390	121,763,349	902,498,739	667,589,705	62,599,937	730,189,642
- due to other borrowers	35,014,069	21,857,437	56,871,506	33,015,119	34,296,047	67,311,166
- due to debt securities holders	8,960,451	28,118,032	37,078,483	8,766,817	32,604,769	41,371,586
Retirement benefit obligation	-	6,988,658	6,988,658	-	3,741,781	3,741,781
Dividend payable	121,270	-	121,270	88,898	-	88,898
Current tax liabilities	4,792,904	-	4,792,904	7,835,445	-	7,835,445
Deferred tax liabilities	-	1,485,302	1,485,302	-	1,405,568	1,405,568
Other liabilities	16,978,733	2,594,003	19,572,736	14,656,052	2,709,787	17,365,839
Total Liabilities	852,463,993	182,806,781	1,035,270,774	750,508,590	137,357,889	887,866,479
Maturity Gap	(220,302,016)	334,716,670	114,414,654	(210,240,291)	321,696,918	111,456,627
Cumulative Gap	(220,302,016)	114,414,654		(210,240,291)	111,456,627	

52 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank		Group		
	Debentures (Note 37.1) Rs 000	Finance Lease Liability (Note 31.1) Rs 000	Debentures (Note 37.1) Rs 000	Finance Lease Liability (Note 31.1) Rs 000	Securitisation Rs 000
Balance as at 1st January 2019	34,297,696	439,988	38,957,631	-	-
Cash flows from financing activities					
Proceeds from the issue of debentures/ securitisation	7,000,000	-	8,500,000	-	-
Redemption of debentures	(7,000,000)	-	(9,421,990)	-	-
Repayment of principal portion of lease liabilities	-	(1,042,649)	-	(744,606)	-
Non cash changes					
Recognition of lease liabilities due to transition to SLFRS 16	-	4,155,721	-	3,183,239	-
Additions during the year	-	870,642	-	1,010,410	-
Net accrual for interest expense	817,594	-	809,186	-	-
Balance as at 31st December 2019	35,115,290	4,423,702	38,844,827	3,449,043	-
Balance as at 1st January 2020	35,115,290	4,423,702	38,844,827	3,449,043	-
Cash flows from financing activities					
Proceeds from the issue of debentures/ securitisation	-	-	2,000,000	-	447,110
Redemption of debentures	(7,000,000)	-	(7,000,000)	-	-
Repayment of principal portion of lease liabilities	-	(1,065,454)	-	(742,788)	-
Non cash changes					
Additions during the year	-	421,387	-	504,537	-
Net accrual for interest expense	(83,315)	-	27,700	-	814
Balance as at 31st December 2020	28,031,975	3,779,635	33,872,527	3,210,792	447,924

NOTES TO THE FINANCIAL STATEMENTS

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 2020	Note	Bank		Group	
		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	3,670,810	3,721,909	2,521,756	2,572,855

As at 31st December 2019	Note	Bank		Group	
		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	17,267,796	17,498,501	17,239,524	17,470,229

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".

	Bank		Group	
	Amortised Cost Rs 000	Fair Value of Securities Received Rs 000	Amortised Cost Rs 000	Fair Value of Securities Received Rs 000
As at 31st December 2020				
Reverse repurchase agreements	4,450,557	5,102,293	6,231,719	7,238,098
As at 31st December 2019				
Reverse repurchase agreements	-	-	2,304,392	2,716,069

53.3 Bank's Policy on Haircuts for Repurchase and Reverse Repurchase Transactions

According to the Bank's internal policies, minimum haircuts applicable for each maturity bucket as at 31st December 2020 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 Bank/Group for non compliance with the Directive No. 1 of 2019 during the years ended 31st December 2020 & 2019.

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SUPPLEMENTARY INFORMATION

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A Million Aspirations

Over the years, we have measured our performance against globally acknowledged standards of business excellence and sustainability - aspiring to reach immeasurable heights in our journey towards industry leadership.

STATEMENT OF PROFIT OR LOSS IN US\$

For the year ended 31st December	Bank		Group	
	2020 US\$ 000	2019 US\$ 000	2020 US\$ 000	2019 US\$ 000
Gross income	551,693	655,387	588,723	694,352
Interest income	477,781	571,088	510,228	605,765
Less: Interest expense	295,444	341,834	311,698	358,928
Net interest income	182,337	229,254	198,530	246,837
Fee & commission income	52,697	64,621	55,367	66,591
Less: Fee & commission expense	7,119	9,298	7,124	9,305
Net fee & commission income	45,578	55,323	48,243	57,286
Net gain from trading	134	12,164	134	12,164
Net gain on derecognition of financial assets	2,285	627	2,285	627
Net other operating income	18,796	6,887	20,709	9,205
Total operating income	249,130	304,255	269,901	326,119
Less: Impairment charge	63,519	69,330	71,164	75,823
Net operating income	185,611	234,925	198,737	250,296
Less: Operating expenses				
Personnel expenses	55,164	53,591	60,525	58,367
Depreciation & amortisation expenses	13,230	13,422	13,577	13,926
Other operating expenses	39,937	45,288	42,242	48,471
Total operating expenses	108,331	112,301	116,344	120,764
Operating profit before taxes on financial services	77,280	122,624	82,393	129,532
Less: Taxes on financial services				
Value added tax	17,054	22,290	18,298	23,604
Nation building tax	-	2,720	-	2,909
Debt repayment levy	-	12,153	-	12,924
Profit before income tax	60,226	85,461	64,095	90,095
Less: Income tax expense	16,964	23,972	18,583	25,753
Profit for the year	43,262	61,489	45,512	64,342
Attributable to:				
Equity holders of the Bank	43,262	61,489	45,512	64,342
Non-controlling interest	-	-	-	-
	43,262	61,489	45,512	64,342
Earnings per share: Basic/Diluted (US\$)	0.11	0.18	0.12	0.19
Dividend per share				
Dividend per share: Gross (US\$)	0.04*	0.06		

Exchange rate of US\$ was Rs 185.50 as at 31st December 2020 (Rs 181.35 as at 31st December 2019)

* Based on proposed dividend which is to be approved at the Annual General Meeting and the number of shares in issue as at 15th February 2021.

STATEMENT OF COMPREHENSIVE INCOME IN US\$

For the year ended 31st December	Bank		Group	
	2020 US\$ 000	2019 US\$ 000	2020 US\$ 000	2019 US\$ 000
Profit for the year	43,262	61,489	45,512	64,342
Other comprehensive income				
Items that will be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income:				
(Loss)/gain arising on re-measurement	(43)	484	(43)	484
Reclassification to profit or loss	(967)	(93)	(967)	(93)
Changes in impairment for expected credit losses	105	-	105	-
Deferred tax effect on the above	253	(109)	253	(109)
Net other comprehensive income to be reclassified to profit or loss	(652)	282	(652)	282
Items that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income:				
Gain/(loss) arising on re-measurement	8,388	(3,046)	8,388	(3,046)
Exchange difference in translation	232	(48)	232	(48)
Deferred tax effect on the above	(2,413)	866	(2,413)	866
	6,207	(2,228)	6,207	(2,228)
Actuarial loss on defined benefit plans	(15,356)	(8,066)	(15,373)	(8,162)
Deferred tax effect on the above	4,300	2,259	4,304	2,285
	(11,056)	(5,807)	(11,069)	(5,877)
Surplus from revaluation of property, plant & equipment	-	4,477	-	6,657
Deferred tax effect on the above	-	(1,254)	-	(1,864)
	-	3,223	-	4,793
Net other comprehensive income not to be reclassified to profit or loss	(4,849)	(4,812)	(4,862)	(3,312)
Other comprehensive income net of tax	(5,501)	(4,530)	(5,514)	(3,030)
Total comprehensive income for the year net of tax	37,761	56,959	39,998	61,312
Attributable to:				
Equity holders of the Bank	37,761	56,959	39,998	61,312
Non - controlling interest	-	-	-	-
	37,761	56,959	39,998	61,312

Exchange rate of US\$ was Rs 185.50 as at 31st December 2020 (Rs 181.35 as at 31st December 2019)

STATEMENT OF FINANCIAL POSITION IN US\$

As at 31st December	Bank		Group	
	2020 US\$ 000	2019 US\$ 000	2020 US\$ 000	2019 US\$ 000
ASSETS				
Cash & cash equivalents	156,623	98,093	157,514	99,132
Balances with Central Bank of Sri Lanka	71,888	171,096	71,888	171,096
Placements with banks	17,403	39,985	17,403	39,985
Reverse repurchase agreements	23,992	-	33,594	12,707
Derivative financial instruments	11,787	4,757	11,787	4,757
Financial assets recognised through profit or loss - measured at fair value	50,208	61,374	50,208	61,374
Financial assets at amortised cost				
- loans & advances	3,882,562	3,801,365	4,056,269	3,964,966
- debt & other instruments	1,482,973	861,834	1,483,158	861,918
Financial assets - fair value through other comprehensive income	130,662	95,571	130,662	95,571
Investment in subsidiaries	18,063	13,205	-	-
Property, plant & equipment	43,807	46,685	85,668	86,584
Intangible assets	4,063	5,487	4,268	5,819
Right-of-use assets	17,683	22,383	15,664	17,691
Current tax receivables	-	-	231	255
Deferred tax assets	24,981	20,609	25,086	20,613
Other assets	48,594	64,148	54,366	67,999
Total Assets	5,985,289	5,306,592	6,197,766	5,510,467
LIABILITIES				
Due to banks	8,207	8,336	8,212	8,646
Derivative financial instruments	10,949	3,331	10,949	3,331
Securities sold under repurchase agreements	18,328	90,425	12,436	90,347
Financial liabilities at amortised cost				
- due to depositors	4,774,797	3,955,062	4,865,222	4,026,411
- due to other borrowers	264,434	306,930	306,585	371,167
- due to debt securities holders	165,984	207,566	199,884	228,131
Retirement benefit obligation	37,044	20,136	37,675	20,633
Dividend payable	654	490	654	490
Current tax liabilities	25,201	40,956	25,838	43,208
Deferred tax liabilities	-	-	8,007	7,751
Other liabilities	99,913	94,338	105,513	95,759
Total Liabilities	5,405,511	4,727,570	5,580,975	4,895,874
EQUITY				
Stated capital	256,725	262,600	256,725	262,600
Reserves				
- Statutory reserve fund	23,989	22,277	24,987	23,182
- Other reserves	276,483	260,472	292,487	276,843
- Retained earnings	22,581	33,673	42,592	51,968
Total equity attributable to equity holders of the Bank	579,778	579,022	616,791	614,593
Non-controlling interest	-	-	-	-
Total Equity	579,778	579,022	616,791	614,593
Total Liabilities & Equity	5,985,289	5,306,592	6,197,766	5,510,467
Commitments & contingencies	2,600,570	2,158,348	2,576,644	2,143,035
Net asset value per share (US\$)	1.52	1.52	1.62	1.61

Exchange rate of US\$ was Rs 185.50 as at 31st December 2020 (Rs 181.35 as at 31st December 2019)

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	2020 Rs Mn	2019 Rs Mn
Average shareholders' funds	106,277	94,698
Impairment provision	42,714	32,571
	148,991	127,269
Profit attributable to shareholders	8,025	11,151
Impairment charge	11,783	12,573
Amounts written off - loans & other losses	(439)	(881)
	19,369	22,843
Economic cost (12 months average Treasury Bill rate plus 2% risk premium)	8.2%	11.1%
Economic cost	12,217	14,142
Economic value addition	7,152	8,701

DIRECT ECONOMIC VALUE GENERATED & DISTRIBUTED - BANK

Information on the creation and distribution of economic value provides a basic indication of how the Bank has created wealth for stakeholders.

For the year ended 31st December	2020 Rs Mn	2019 Rs Mn
Direct Economic Value Generated		
Interest income	88,628	103,567
Exchange income	2,792	2,793
Commission income	9,775	11,719
Investment income	749	326
Other income	271	289
	102,215	118,694
Economic Value Distributed		
To Depositors and Lenders		
Interest expense	50,544	57,269
	50,544	57,269
Operating Costs		
Depreciation & amortisation	2,454	2,434
Fee & commission expense	1,321	1,686
Other operating expense	7,294	8,111
	11,069	12,231
To Employees		
Salaries	6,832	6,578
Other benefits	3,401	3,140
	10,233	9,718
Payments to Government		
Income tax expense	3,646	6,776
Taxes on financial services	3,163	6,740
Crop insurance levy	100	92
	6,909	13,608
To Community		
Social responsibility projects	5	9
Donations	10	1
	15	10
Payments to Providers of Capital		
Interest to debt securities holders	4,261	4,723
Dividend to shareholders	3,147	4,482
	7,408	9,205
Economic value distributed	86,178	102,041
Economic value retained (after payment of dividend to shareholders)	16,037	16,653
	102,215	118,694

TEN YEARS AT A GLANCE

For the year ended 31st December	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Results (Rs Mn)										
Gross income	27,577	38,796	47,509	44,597	47,032	67,585	92,590	115,310	118,855	102,339
Interest income	21,111	31,882	41,892	38,059	37,944	56,529	79,625	97,934	103,567	88,628
Interest expenses	12,168	20,269	26,556	22,335	20,542	33,776	51,261	59,880	61,992	54,805
Net interest income	8,943	11,613	15,336	15,724	17,402	22,754	28,363	38,054	41,575	33,823
Exchange income	837	2,154	520	1,283	2,466	2,589	3,132	5,491	2,793	2,792
Other income	4,792	4,105	4,901	4,387	5,421	7,002	8,484	10,198	10,809	9,598
Total operating income	14,572	17,872	20,757	21,394	25,288	32,344	39,979	53,743	55,177	46,213
Operating expenses	8,059	9,248	10,634	11,729	13,339	15,471	16,918	19,307	20,366	20,095
Impairment charge	618	65	4,736	1,401	944	1,460	2,376	11,223	12,573	11,783
Profit before income tax	4,994	7,401	4,491	6,727	9,101	12,600	16,606	18,350	15,498	11,172
Income tax expense	1,606	2,170	1,061	1,813	2,967	3,475	4,502	6,207	4,347	3,147
Profit after tax	3,388	5,231	3,430	4,914	6,134	9,125	12,104	12,143	11,151	8,025
As at 31st December										
Assets (Rs Mn)										
Cash & cash equivalents including placements	16,073	19,220	10,094	13,348	18,781	25,814	25,494	27,799	25,040	32,282
Net loans & advances	170,123	209,000	260,040	302,370	377,348	458,831	562,884	650,014	689,378	720,215
Other interest earning assets	36,233	51,035	81,599	85,828	95,025	124,127	145,371	174,300	182,772	309,468
Investment in associates & subsidiaries	1,055	1,060	1,060	1,060	1,080	1,228	1,356	2,320	2,395	3,351
Property, plant & equipment	4,528	4,560	5,135	5,142	5,313	5,972	7,270	7,918	8,466	8,126
Other assets	19,646	24,535	24,114	24,278	27,730	42,540	52,727	51,874	54,299	36,829
Total assets	247,658	309,410	382,042	432,026	525,277	658,512	795,102	914,225	962,350	1,110,271
Liabilities (Rs Mn)										
Due to banks & due to depositors	195,900	243,575	302,429	341,946	409,411	516,273	630,442	698,085	718,301	886,873
Debt securities holders, borrowings from banks and others	20,225	29,206	39,194	36,846	57,347	72,446	76,215	91,143	93,765	80,217
Other liabilities	10,189	10,985	12,000	22,322	23,394	25,304	24,795	40,608	45,279	35,632
Total liabilities	226,314	283,766	353,623	401,114	490,152	614,023	731,452	829,836	857,345	1,002,722
Shareholders' Fund (Rs Mn)										
Stated capital	2,744	3,564	4,460	4,470	5,381	6,471	16,308	32,796	47,622	47,622
Reserves	18,600	22,080	23,958	26,442	29,744	38,018	47,342	51,593	57,384	59,927
Investor Information										
Dividend paid/proposed (Rs Mn)	1,427.0	1,954.1	1,342.6	1,847.0	2,240.0	3,362.1	4,598.4	4,564.7	4,482.1	3,147.0
Dividend cover (times)	2.4	2.6	2.6	2.6	2.7	2.7	2.6	2.7	2.5	2.6
Net asset value per share (Rs)	129.00	152.96	169.37	179.39	198.47	238.94	293.02	300.42	275.27	281.94
Market price per share (Rs) - High	307.00	216.00	242.00	252.00	279.90	268.70	352.20	335.50	245.00	170.00
Market price per share (Rs) - Low	191.00	148.50	161.60	164.20	235.20	210.00	253.50	218.00	136.00	96.00
Market price as at 31st December (Rs)	195.00	200.50	171.90	236.30	248.00	260.40	315.70	235.00	162.40	135.60
Other Information										
Exchange rate (USD)	113.90	127.65	130.75	131.20	144.20	150.00	153.50	182.90	181.35	185.50
Number of staff as at 31st December	3,230	3,455	3,688	4,000	3,993	3,960	4,011	4,189	4,134	4,048
Number of branches as at 31st December	206	209	212	220	225	229	229	229	229	229
Number of automated teller machines as at 31st December	255	264	274	326	370	381	391	419	423	445
Number of cash deposit machines as at 31st December	nil	nil	nil	02	40	108	183	365	429	465
Number of MYBANK agents as at 31st December	nil	nil	nil	nil	nil	nil	nil	nil	170	203
Ratios										
Growth in income (%)	13.3	40.7	22.5	(6.1)	5.5	43.7	37.0	24.5	3.1	(13.9)
Cost to income ratio with taxes on financial services (%)	61.5	58.2	55.5	62.0	60.3	56.5	52.5	45.0	49.1	50.3
Cost to income ratio without taxes on financial services (%)	55.3	51.7	51.2	54.8	52.7	47.8	42.3	35.9	36.9	43.5
Growth in deposits (%)	27.8	24.3	24.2	13.1	19.7	26.1	22.1	10.7	2.9	23.5
Growth in net loans and advances (%)	37.1	22.9	24.4	16.3	24.8	21.6	22.7	15.5	6.1	4.5
Dividend per share (Rs)	9.00	12.00	8.00	11.00	13.00	18.75	17.20	16.25	11.75	8.25*
Return on average assets (before tax) (%)	2.60	2.66	1.29	1.69	1.90	2.14	2.29	2.13	1.66	1.09
Return on average assets (after tax) (%)	1.55	1.88	0.98	1.23	1.28	1.55	1.67	1.41	1.20	0.78
Return on average equity (after tax) (%)	16.17	22.26	12.88	16.35	18.42	23.47	23.35	16.02	11.78	7.58
Property plant & equipment to shareholders' fund (%)	21.2	17.8	18.1	16.6	15.1	13.4	11.4	9.4	8.1	7.6
Total assets to shareholders' fund (Times)	11.6	12.1	13.4	14.0	15.0	14.8	12.5	10.8	9.2	10.3
Liquid Assets Ratios										
- Domestic Banking Unit (%)	22.8	21.5	27.2	24.4	21.8	21.2	22.2	21.5	21.5	35.0
- Off-Shore Banking Unit (%)	58.4	23.7	30.4	23.8	27.2	33.4	24.9	25.8	26.9	37.6
(As specified in Banking Act No. 30 of 1988 & any subsequent amendments thereto)										
Capital Adequacy Ratios										
- Common equity Tier I (%)	n/a	n/a	n/a	n/a	n/a	n/a	10.26	12.08	14.22	13.44
- Total Tier I (%)	10.24	11.80	10.08	8.83	7.90	8.31	10.26	12.08	14.22	13.44
- Total capital (Tier I + Tier II) (%)	11.45	13.61	14.22	13.62	12.26	12.87	14.41	15.73	18.12	16.41

n/a - not applicable

* Based on proposed dividend which is to be approved at the Annual General Meeting and the number of shares in issue as at 15th February 2021.

QUARTERLY STATISTICS

As at	2020			2019				
	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	1,110,271	1,067,711	1,005,322	983,155	962,350	951,996	925,715	911,094
Financial assets at amortised cost - loans & advances	720,215	713,801	711,268	710,528	689,378	680,238	659,726	652,291
Financial liabilities at amortised cost - due to depositors	885,725	845,087	787,861	748,016	717,250	708,310	696,124	695,561
Total equity	107,549	105,321	104,285	107,367	105,006	100,489	98,609	84,634
For the quarter ended								
	2020			2019				
	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	7,827	8,548	7,470	9,978	10,793	10,980	9,578	10,224
Net fee & commission income	2,463	2,204	1,544	2,244	2,730	2,634	2,393	2,276
Net gain/(loss) from trading	367	(236)	558	(664)	494	(456)	671	1,496
Net gain on derecognition of financial assets	50	287	48	39	52	26	23	13
Net other operating income	385	474	331	2,297	207	1,685	394	(1,037)
Total operating income	11,092	11,277	9,951	13,894	14,276	14,869	13,059	12,972
Less: Impairment charge	678	3,669	2,582	4,854	2,244	3,087	3,767	3,475
Net operating income	10,414	7,608	7,369	9,040	12,032	11,782	9,292	9,497
Less: Total operating expenses	5,221	5,293	4,432	5,149	5,024	5,232	4,971	5,137
Taxes on financial services	1,007	653	665	839	1,945	1,901	1,402	1,493
Income tax expense	1,251	539	807	550	439	2,218	985	705
Profit for the period	2,935	1,123	1,465	2,502	4,624	2,431	1,934	2,162
Other comprehensive income for the period	(708)	(108)	(65)	(140)	(120)	(551)	(64)	(87)
Total comprehensive income for the period	2,227	1,015	1,400	2,362	4,504	1,880	1,870	2,075

QUARTERLY STATISTICS

For the quarter ended	2020			2019			
	31st December	30th September	30th June	31st March	30th September	30th June	31st March
Market price per share (Rs)							
Highest	143.20	140.80	130.00	170.00	184.50	174.90	245.00
Lowest	117.00	109.20	96.00	117.70	140.00	136.00	174.50
Closing	135.60	132.00	126.40	119.00	153.00	139.20	180.10
As at							
	31st December	30th September	30th June	31st March	30th September	30th June	31st March
Profitability							
Interest margin (%)	3.30	3.46	3.57	4.13	4.45	4.35	4.54
Return on assets (before tax) (%)	1.09	0.93	1.09	1.26	1.51	1.27	1.27
Return on equity (after tax) (%)	7.58	6.45	7.56	9.47	9.67	9.26	10.38
Regulatory Capital							
Common Equity Tier 1 Capital Ratio (%)	13.44	13.07	13.30	13.65	13.57	14.00	11.72
Total Tier 1 Capital Ratio (%)	13.44	13.07	13.30	13.65	13.57	14.00	11.72
Total Capital Ratio (%)	16.41	16.03	16.77	17.16	17.73	18.10	16.19
Leverage Ratio (%)	6.94	6.81	7.42	8.30	7.91	8.32	7.04
Assets Quality							
Gross NPA ratio (%)	6.30	6.87	7.03	6.72	6.03	5.66	4.87
Net NPA ratio (%)	3.45	4.04	4.43	4.81	4.32	4.01	3.42
Regulatory Liquidity							
Statutory Liquid Assets Ratio							
Domestic Banking Unit (%)							
(Minimum Requirement: 2020 - 20%, 2019 - 20%)	34.98	33.52	28.12	22.18	22.32	22.94	22.82
Off-Shore Banking Unit (%)							
(Minimum Requirement: 2020 - 20%, 2019 - 20%)	37.60	36.40	33.88	31.05	28.34	28.23	28.36
Liquidity Coverage Ratio (%) - Rupee							
(Minimum Requirement: 2020 - 90%, 2019 - 100%)	424.90	464.93	251.15	278.37	153.03	166.82	162.35
Liquidity Coverage Ratio (%) - All Currency							
(Minimum Requirement: 2020 - 90%, 2019 - 100%)	293.37	225.67	127.11	155.26	115.26	129.10	138.11
Net Stable Funding Ratio (%)							
(Minimum Requirement: 2020 - 90%, 2019 - 100%)	144.00	139.43	127.68	122.96	128.09	130.32	128.14

CAPITAL ADEQUACY

INTRODUCTION

Capital Adequacy is one of the key financial indicators which illustrates the soundness and the stability of a bank. It acts as a “cushion” or “buffer” in safeguarding the depositors’ 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).

INTRODUCTION TO “BASEL III ACCORD”

In the aftermath of the 2008/2009 financial crisis, the BCBS agreed on reforms to strengthen global capital and liquidity rules with the goal of promoting the resilience of the banking sector, which led to the formulation of the Basel III accord. This Accord is in effect a regulatory response to strengthen the resilience of banks by minimizing the possibility of occurrence of a financial crisis.

Under the Basel III framework, banks are required to compute Capital Adequacy Ratios (CARs) in three tiers as mentioned below;

- Common Equity Tier I (CET I) Capital Ratio
- Total Tier I Capital Ratio
- Total Capital Ratio

TIER I CAPITAL

- Common Equity Tier I Capital (CET I) - the element of capital which has the highest quality and is therefore the most effective in absorbing losses. CET I typically includes stated capital, other capital reserves and revenue reserves.
- Additional Tier I Capital (AT I) - a supplementary form of Total Tier I Capital. AT I includes capital instruments other than the instruments included in CET I capital.

TIER II CAPITAL

Tier II capital consists of the revaluation reserve approved by CBSL, stage 1 impairment provision, 50% of stage 2 impairment provision as well as the subordinated debt securities approved by CBSL.

CAPITAL BUFFERS

All banks are required to hold additional capital buffers over & above the minimum CET I, Total Tier I & Total Capital Adequacy levels.

- Capital Conservation Buffer (CCB)
- High Loss Absorbency (HLA) requirement for Domestic Systemically Important Banks (D-SIBs)
- Countercyclical Buffer

RISK WEIGHTED ASSETS (RWA)

Risk Weighted Assets are a measure of the value of the bank’s assets and off-balance sheet exposures, weighted in order of their risks, with each asset class assigned a different risk weightage.

THE THREE PILLARS UNDER THE BASEL III FRAMEWORK

The three pillars introduced under the Basel II regime continue to be applied in the Basel III regime as mentioned below.

- Pillar 1 - Minimum Capital Requirement
- Pillar 2 - Supervisory Review Process
- Pillar 3 - Market Discipline

PILLAR 1 – MINIMUM CAPITAL REQUIREMENT

Pillar 1 deals with the maintenance of regulatory capital needed to support the Bank’s three major risk categories, namely: credit risk, market risk and operational risk.

Pillar 1 capital requirements shall be maintained as a percentage of Risk Weighted Assets (RWA) calculated based on the following approaches:

- The Standardised Approach for Credit Risk
- The Standardised Measurement Method for Market Risk
- The Basic Indicator Approach, the Standardised Approach or the Alternative Standardised Approach (ASA) for Operational Risk

LATEST DEVELOPMENTS

The minimum capital requirement of the Bank was reduced by 0.5% with effect from 27th March 2020 due to the extraordinary measures taken by CBSL due to the COVID-19 outbreak. Therefore, according to the latest regulatory requirements enforced by CBSL, the Bank is required to maintain the capital in 3 tiers as mentioned below.

	Minimum requirement
i. Common Equity Tier I (CET I) Capital Ratio	6.5%
ii. Total Tier I Capital Ratio	8.0%
iii. Total Capital Ratio	12.0%

PILLAR 2 – SUPERVISORY REVIEW PROCESS

Pillar 2 sets forth the framework for the Supervisory Review Process (SRP) to assess the bank’s capital adequacy and to determine whether the particular bank should hold additional capital to cover risks that are either not covered or

CAPITAL ADEQUACY

inadequately covered by the minimum capital requirements under Pillar I. The process encourages banks to;

- Utilise better risk management techniques
- Enhance the risk-based supervision in order to accurately assess the capital adequacy
- Continuously evaluate their Internal Capital Adequacy Assessment Process (ICAAP) to determine the level of capital to be maintained against all risks and ensure adequate capital is available to support all risks.

PILLAR 3 – MARKET DISCIPLINE

Pillar 3 presents a number of disclosure requirements aimed at raising the level of market discipline by increasing the level of transparency. Pillar 3 disclosures give external stakeholders a better understanding of capital adequacy calculations by providing an insight into the internal computation procedures followed within the Bank. Disclosures under these requirements broadly include; the regulatory capital requirements & liquidity, risk weighted assets, linkages between financial statements & regulatory exposures and information on assessment of D-SIBs.

Shown below are the Basel III disclosures with regard to regulatory capital, liquidity and risk management linkages with the published financial statements along with comparative information (individual and consolidated).

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 1: KEY REGULATORY RATIOS - CAPITAL AND LIQUIDITY

As at 31st December	Bank	2019	Group	2019
	2020		2020	
Regulatory Capital (Rs 000)				
Common Equity Tier I Capital	96,001,662	96,794,652	101,544,273	101,088,754
Total Tier I Capital	96,001,662	96,794,652	101,544,273	101,088,754
Total Capital	117,233,143	123,364,882	123,249,506	127,814,196
Regulatory Capital Ratios (%)				
Common Equity Tier I Capital Ratio (minimum requirement - 2020: 6.50%, 2019: 7.00%)	13.44	14.22	13.40	14.05
Total Tier I Capital Ratio (minimum requirement - 2020: 8.00%, 2019: 8.50%)	13.44	14.22	13.40	14.05
Total Capital Ratio (minimum requirement - 2020: 12.00%, 2019: 12.50%)	16.41	18.12	16.26	17.76
Leverage Ratio (minimum requirement - 3%)	6.94	8.12	7.13	8.24
Regulatory Liquidity				
Statutory Liquid Assets (Rs 000) - Bank	344,888,261	181,901,984	n/a	n/a
Statutory Liquid Assets Ratio (minimum requirement - 20%)				
Domestic Banking Unit (%)	34.98	21.51	n/a	n/a
Off-Shore Banking Unit (%)	37.60	26.88	n/a	n/a
Total Stock of High - Quality Liquid Assets (Rs 000)	240,115,531	106,699,495	n/a	n/a
Liquidity Coverage Ratio (%) - Rupee (minimum requirement - 2020: 90%, 2019: 100%)	424.90	177.29	n/a	n/a
Liquidity Coverage Ratio (%) - All currency (minimum requirement - 2020: 90%, 2019: 100%)	293.37	149.17	n/a	n/a
Net Stable Funding Ratio (%) (minimum requirement - 2020: 90%, 2019: 100%)	144.00	126.80	n/a	n/a

n/a - not applicable

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 2: BASEL III CAPITAL RATIOS

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Common Equity Tier I (CET I) Capital after adjustments	96,001,662	96,794,652	101,544,273	101,088,754
Common Equity Tier I (CET I) Capital	102,833,877	102,066,829	107,142,092	105,975,625
Stated capital	47,622,493	47,622,493	47,622,493	47,622,493
Statutory reserves	4,450,000	4,040,000	4,635,000	4,204,000
Published retained earnings/(Accumulated retained losses)	4,404,679	6,854,126	8,527,894	10,598,922
Published accumulated other comprehensive income (OCI)	(99,081)	115,039	(99,081)	115,039
General and other disclosed reserves	46,455,786	43,435,171	46,455,786	43,435,171
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	6,832,215	5,272,177	5,597,819	4,886,871
Goodwill (net)	-	-	-	-
Intangible assets (net)	753,615	995,137	791,689	1,055,341
Deferred tax assets (net)	4,634,040	3,737,512	4,653,496	3,738,064
Others (Investments in the capital of banking & financial institutions)	1,444,560	539,528	152,634	93,466
Additional Tier I (AT I) Capital after adjustments	-	-	-	-
Additional Tier I (AT I) Capital	-	-	-	-
Qualifying Additional Tier I Capital instruments	-	-	-	-
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to AT I Capital	-	-	-	-
Investment in own shares	-	-	-	-
Others	-	-	-	-
Tier II Capital after adjustments	21,231,481	26,570,230	21,705,233	26,725,442
Tier II Capital	21,231,481	26,570,230	21,705,233	26,725,442
Qualifying Tier II Capital instruments	12,441,918	19,520,068	12,441,918	19,520,068
Revaluation gains	453,703	453,703	453,703	453,703
Stage 1 & 50% of stage 2 impairment provision	8,335,860	6,596,459	8,809,612	6,751,671
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to Tier II	-	-	-	-
Investment in own shares	-	-	-	-
Others	-	-	-	-
CET I Capital	96,001,662	96,794,652	101,544,273	101,088,754
Total Tier I Capital	96,001,662	96,794,652	101,544,273	101,088,754
Total Capital	117,233,143	123,364,882	123,249,506	127,814,196
Total Risk Weighted Assets (RWA)	714,371,274	680,832,728	757,923,933	719,621,652
RWAs for Credit Risk (refer table No. 3)	666,868,826	641,795,888	704,768,984	675,810,628
RWAs for Operational Risk (refer table No. 5)	41,251,256	35,042,008	46,903,757	39,816,192
RWAs for Market Risk (refer table No. 6)	6,251,192	3,994,832	6,251,192	3,994,832
CET I Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & HLA requirement on D-SIBs) (%)	13.44	14.22	13.40	14.05
of which: Capital Conservation Buffer (%)	2.00	2.50	2.00	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: HLA requirement on D-SIBs (%)	-	-	-	-
Total Tier I Capital Ratio (%)	13.44	14.22	13.40	14.05
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & HLA requirement on D-SIBs) (%)	16.41	18.12	16.26	17.76
of which: Capital Conservation Buffer (%)	2.00	2.50	2.00	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: HLA requirement on D-SIBs (%)	-	-	-	-

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 3 (A) BANK: CREDIT RISK AS AT 31ST DECEMBER 2020 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 Rs 000	Off-balance sheet amount Rs 000	On-balance sheet amount Rs 000	Off-balance sheet amount Rs 000	RWA Rs 000	RWA density (%)
Claims on central government and CBSL	290,662,781	-	290,662,781	-	18,184,820	6
Claims on public sector entities	19,411,693	5,876,682	4,750,628	5,869,889	4,721,670	44
Claims on banks exposures	20,220,699	442,871	20,220,699	442,871	8,802,011	43
Claims on financial institutions	28,263,007	25,386	28,263,007	25,386	15,713,848	56
Claims on corporates	348,545,110	454,674,809	325,102,859	45,580,222	349,942,115	94
Retail claims	263,038,204	14,587,604	247,811,769	8,083,740	179,762,690	70
Claims secured by residential property	51,382,892	-	51,382,892	-	42,108,866	82
Non-performing assets	28,844,770	-	28,844,770	-	31,434,751	109
Higher-risk categories	974,462	-	974,462	-	2,436,155	250
Cash items and other assets	31,811,977	-	31,811,977	-	13,761,900	43
	1,083,155,595	475,607,352	1,029,825,844	60,002,108	666,868,826	61

TABLE - 3 (B) GROUP: CREDIT RISK AS AT 31ST DECEMBER 2020 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 Rs 000	Off-balance sheet amount Rs 000	On-balance sheet amount Rs 000	Off-balance sheet amount Rs 000	RWA Rs 000	RWA density (%)
Claims on central government and CBSL	292,478,088	-	292,478,088	-	18,184,820	6
Claims on public sector entities	19,411,693	5,876,682	4,750,628	5,869,889	4,721,670	44
Claims on banks exposures	20,268,794	442,871	20,268,794	442,871	8,812,237	43
Claims on financial institutions	25,328,933	25,386	25,328,933	25,386	14,267,052	56
Claims on corporates	346,971,377	454,674,809	323,265,228	45,580,222	348,104,484	94
Retail claims	295,228,801	14,587,604	280,002,366	8,083,740	207,313,739	72
Claims secured by residential property	51,382,892	-	51,382,892	-	42,108,866	82
Non-performing assets	34,100,586	-	34,100,586	-	38,970,473	114
Higher-risk categories	-	-	-	-	-	0
Cash items and other assets	40,455,001	-	40,455,001	-	22,285,643	55
	1,125,626,165	475,607,352	1,072,032,516	60,002,108	704,768,984	62

TABLE - 4 (A) BANK: CREDIT RISKS AS AT 31ST DECEMBER 2020 (POST CCF & CRM) UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Asset Class	Risk Weight										Total credit exposures amount Rs 000
	0%	20%	50%	60%	75%	100%	150%	>150%	Rs 000	Rs 000	
Claims on central government and CBSL	199,738,683	90,924,098	-	-	-	-	-	-	-	-	290,662,781
Claims on public sector entities	-	7,373,559	-	-	-	3,246,958	-	-	-	-	10,620,517
Claims on banks exposures	-	11,802,884	5,040,167	-	-	3,618,856	201,663	-	-	-	20,663,570
Claims on financial institutions	-	-	25,149,091	-	-	3,139,302	-	-	-	-	28,288,393
Claims on corporates	-	17,178,747	14,446,187	-	-	338,607,895	450,252	-	-	-	370,683,081
Retail claims	23,277,293	13,201,805	-	15,261,443	144,758,017	59,396,951	-	-	-	-	255,895,509
Claims secured by residential property	-	-	18,548,053	-	-	32,834,839	-	-	-	-	51,382,892
Non-performing assets	-	-	1,200,528	-	-	21,263,753	6,380,489	-	-	-	28,844,770
Higher-risk categories	-	-	-	-	-	-	-	-	974,462	-	974,462
Cash items and other assets	17,995,843	67,792	-	-	-	13,748,342	-	-	-	-	31,811,977
	241,011,819	140,548,885	64,384,026	15,261,443	144,758,017	475,856,896	7,032,404	974,462	1,089,827,952		

TABLE - 4 (B) GROUP: CREDIT RISK AS AT 31ST DECEMBER 2020 (POST CCF & CRM) UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Asset Class	Risk Weight										Total credit exposures amount Rs 000
	0%	20%	50%	60%	75%	100%	150%	>150%	Rs 000	Rs 000	
Claims on central government and CBSL	201,553,990	90,924,098	-	-	-	-	-	-	-	-	292,478,088
Claims on public sector entities	-	7,373,559	-	-	-	3,246,958	-	-	-	-	10,620,517
Claims on banks exposures	-	11,848,955	5,042,191	-	-	3,618,856	201,663	-	-	-	20,711,665
Claims on financial institutions	-	-	22,174,534	-	-	3,179,785	-	-	-	-	25,354,319
Claims on corporates	-	17,178,747	14,446,187	-	-	336,770,264	450,252	-	-	-	368,845,450
Retail claims	27,778,586	13,480,406	-	15,261,443	144,419,516	87,146,155	-	-	-	-	288,086,106
Claims secured by residential property	-	-	18,548,053	-	-	32,834,839	-	-	-	-	51,382,892
Non-performing assets	-	-	1,200,528	-	-	21,959,757	10,940,301	-	-	-	34,100,586
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
Cash items and other assets	18,115,124	67,792	-	-	-	22,272,085	-	-	-	-	40,455,001
	247,447,700	140,873,557	61,411,493	15,261,443	144,419,516	511,028,699	11,592,216	-	-	-	1,132,034,624

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 5: OPERATIONAL RISK FOR THE PERIOD ENDED 31ST DECEMBER 2020 UNDER THE ALTERNATIVE STANDARDISED APPROACH

Business lines	Capital charge factor			Fixed factor			Gross income/Average loans & advances			Capital charge factor			Fixed factor			Gross income/Average loans & advances						
	18%	18%	18%	15%	12%	12%	1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000	15%	12%	12%	1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000	15%	12%	12%	1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000	
The Alternative Standardised Approach																						
Corporate finance	18%	18%	18%	15%	12%	12%	3,089,486	3,803,782	5,097,905	18%	12%	12%	3,089,486	3,803,782	5,097,905	18%	12%	12%	3,089,486	3,803,782	5,097,905	
Trading and sales	18%	18%	18%	15%	12%	12%	5,350,074	5,622,259	5,250,359	18%	12%	12%	8,839,143	9,586,447	9,102,103	18%	12%	12%	8,839,143	9,586,447	9,102,103	
Payment and settlement	18%	18%	18%	15%	12%	12%	4,602	6,979	5,764	18%	12%	12%	4,602	6,979	5,764	18%	12%	12%	4,602	6,979	5,764	
Agency services	15%	12%	12%	15%	12%	12%	5,290	6,236	5,930	15%	12%	12%	5,290	6,236	5,930	15%	12%	12%	5,290	6,236	5,930	
Asset management	12%	12%	12%	12%	12%	12%	-	-	-	12%	12%	12%	-	-	-	12%	12%	12%	-	-	-	
Retail brokerage	12%	12%	12%	12%	12%	12%	-	-	-	12%	12%	12%	-	-	-	12%	12%	12%	-	-	-	
Retail banking	12%	12%	12%	12%	12%	12%	280,851,368	317,715,364	352,294,867	12%	12%	12%	280,851,368	317,715,364	352,294,867	12%	12%	12%	280,851,368	317,715,364	352,294,867	
Commercial banking	15%	12%	12%	15%	12%	12%	251,660,060	303,191,434	338,241,315	15%	12%	12%	251,660,060	303,191,434	338,241,315	15%	12%	12%	251,660,060	303,191,434	338,241,315	
Capital charge for Operational Risk (Rs 000)							4,950,151						5,628,451									
Risk Weighted Amount for Operational Risk (Rs 000)							41,251,256						46,903,757									

TABLE - 6: MARKET RISK AS AT 31ST DECEMBER 2020 UNDER STANDARDISED MEASUREMENT METHOD

Item	Bank Rs 000	Group Rs 000
(a) Capital charge for Interest Rate Risk	574,117	574,117
General interest rate risk	574,117	574,117
Net long or short position	574,117	574,117
Specific interest rate risk	-	-
(b) Capital charge for Equity	12,670	12,670
General equity risk	7,449	7,449
Specific equity risk	5,221	5,221
(c) Capital charge for foreign exchange & gold	163,356	163,356
(d) Capital charge for Market Risk (a) + (b) + (c)	750,143	750,143
Risk Weighted Amount for Market Risk (d) * 100/12	6,251,192	6,251,192

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 at healthy levels by keeping a significant margin over and above the regulatory minimum requirements.

Increasing competition and growing market complexity in recent times have called for stricter regulatory requirements to bring greater focus on the Capital Management function. The Basel III Capital Standards introduced by the CBSL has provided

a stringent framework for banks to enhance the quality, consistency and the transparency of their “Capital” through the introduction of new capital buffers, new mandatory disclosure requirements and revised definitions for capital instruments.

Capital Management Process

The timely implementation of the Capital Management comes under the purview of the “Board Capital Planning Committee” (BCPC) which consists of the most senior and experienced Directors of the Bank.

The Capital Management Process is reviewed periodically by the BCPC.

Moving Forward

The Bank will execute identified medium term and long-term strategies to improve Capital Adequacy Ratios in line with Basel III minimum regulatory requirements.

The Bank has initiated to issue Basel III compliant – Tier II redeemable 7 year (2021/2028) debenture during the 1st Quarter 2021 which will amount to Rs 5 Bn with an option to issue up to a further Rs 1 Bn. It will further strengthen the Tier II capital of the Bank.

In addition, necessary actions would be identified to optimise the Risk Weighted Assets for the purpose of improving the capital allocation of the Bank.

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 7: BASEL III LIQUIDITY COVERAGE RATIO - ALL CURRENCY

As at 31st December	2020		2019	
	Total un-weighted value Rs 000	Total weighted value Rs 000	Total un-weighted value Rs 000	Total weighted value Rs 000
Total Stock of High-Quality Liquid Assets (HQLA)	240,118,724	240,115,531	106,851,644	106,699,495
Level 1 assets	240,112,338	240,112,338	106,547,346	106,547,346
Level 2A assets	-	-	-	-
Level 2B assets	6,386	3,193	304,298	152,149
Total Cash Outflows	1,147,076,441	200,814,094	932,849,280	166,899,495
Deposits	708,361,008	70,836,101	574,364,977	57,436,498
Unsecured wholesale funding	182,212,764	79,229,939	133,794,087	62,300,138
Secured funding transactions	2,761,807	-	15,918,686	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	210,536,842	7,544,034	167,941,799	6,333,128
Additional requirements	43,204,020	43,204,020	40,829,731	40,829,731
Total Cash Inflows	135,037,325	118,966,688	101,312,900	95,372,870
Maturing secured lending transactions backed by collateral	62,253,419	57,556,614	42,578,990	42,283,120
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	21,177,370	18,053,570	15,722,343	12,498,293
Operational deposits	8,250,032	-	2,420,110	-
Other cash inflows	43,356,504	43,356,504	40,591,457	40,591,457
Total Net Cash Outflows	1,012,039,116	81,847,406	831,536,380	71,526,625
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows) * 100		293.37		149.17

TABLE - 8: BASEL III LEVERAGE RATIO

As at 31st December	Bank		Group	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Total Tier I Capital	96,001,662	96,794,652	101,544,273	101,088,754
Total Exposure	1,384,264,728	1,192,517,789	1,424,913,428	1,227,340,871
On-balance sheet exposure (excluding derivatives and securities financing transactions, but including collateral)	1,098,988,352	957,078,321	1,137,855,890	992,131,842
Derivative exposure	223,991,968	164,074,213	223,991,968	164,074,213
Securities financing transaction exposure	4,450,557	17,267,796	6,231,719	17,037,357
Other off-balance sheet exposure	56,833,851	54,097,459	56,833,851	54,097,459
Basel III Leverage Ratio (%) (Total Tier I Capital/Total Exposure)	6.94%	8.12%	7.13%	8.24%

TABLE - 9: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Description of the capital instrument	Capital instruments issued by the Bank			
	2016-2021 Listed Rated Unsecured Subordinated Redeemable Debentures	2017-2022 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures	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
Issuer	Sampath Bank PLC	Sampath Bank PLC	Sampath Bank PLC	Sampath Bank PLC
Unique identifier	D0389-LK0090D23521 D0390-LK0090D23539	D0426-LK0090D23893	D0427-LK0090D23901	D0452-LK0090D24156
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	10th June 2016	21st December 2017	20th March 2018	28th February 2019
Par value of instrument (Per debenture)	Rs 100/-	Rs 100/-	Rs 100/-	Rs 100/-
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date, if applicable	10th June 2021	21st December 2022	20th March 2023	28th February 2024
Amount recognised in regulatory capital (in Rs 000 as at the reporting date)	600,000	2,400,000	3,375,000	4,550,000
Accounting classification (Equity/Liability)	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	n/a
Subsequent call dates, if applicable	n/a	n/a	n/a	n/a
Coupon/Dividend				
Fixed or floating dividend/coupon	D0389-Fixed rate D0390-Floating rate	D0426-Fixed rate	D0427-Fixed Rate	D0452-Fixed Rate
Coupon rate and any related index	D0389-12.75%p.a. D0390-6 months gross T Bill rate + 1.0%	D0426-12.50% p.a.	D0427-12.50% p.a.	D0452-13.90% p.a.
Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or Non-convertible	Non-Convertible	Convertible	Convertible	Convertible
If convertible, conversion trigger (s)	n/a	*	*	*
If convertible, fully or partially	n/a	*	*	*
If convertible, mandatory or optional	n/a	*	*	*
If convertible, conversion rate	n/a	**	**	**

* In the event of an occurrence of a trigger event as determined at the sole discretion of the Monetary Board 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 by 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

BASEL III DISCLOSURE REQUIREMENTS

TABLE - 10 BANK: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES AS AT 31ST DECEMBER 2020

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	1,110,271,124	1,120,062,566	1,086,382,497	29,771,739	15,752,540
Cash & cash equivalents	29,053,585	27,056,583	27,056,583	-	-
Balances with Central Bank of Sri Lanka	13,335,178	13,335,178	13,335,178	-	-
Placements with banks	3,228,166	3,228,613	3,228,613	-	-
Reverse repurchase agreements	4,450,557	4,450,000	4,450,000	-	-
Derivative financial instruments	2,186,515	-	-	-	-
Financial assets recognised through profit or loss					
- measured at fair value	9,313,628	9,213,452	-	9,213,452	-
Financial assets at amortised cost					
- loans & advances	720,215,247	736,097,566	738,503,241	-	8,920,325
- debt & other instruments	275,091,572	276,426,986	275,314,640	-	-
Financial assets - fair value through other comprehensive income	24,237,803	24,126,611	3,373,183	20,558,287	195,141
Investment in subsidiaries	3,350,774	2,894,853	1,645,434	-	1,249,419
Property, plant & equipment	8,126,285	8,126,285	8,126,285	-	-
Intangible assets	753,615	753,615	-	-	753,615
Right-of-use assets	3,280,166	3,280,166	3,280,166	-	-
Deferred tax assets	4,634,040	3,003,484	-	-	4,634,040
Other assets	9,013,993	8,069,174	8,069,174	-	-
Liabilities	1,002,722,320	995,476,392	-	-	-
Due to banks	1,522,402	-	-	-	-
Derivative financial instruments	2,030,947	-	-	-	-
Securities sold under repurchase agreements	3,399,896	3,357,005	-	-	-
Financial liabilities at amortised cost					
- due to depositors	885,724,901	868,470,845	-	-	-
- due to other borrowers	49,052,595	48,813,451	-	-	-
- due to debt securities holders	30,790,007	29,258,032	-	-	-
Retirement benefit obligation	6,871,592	4,072,563	-	-	-
Dividend payable	121,270	121,270	-	-	-
Current tax liabilities	4,674,756	6,576,654	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	18,533,954	34,806,572	-	-	-
Total gross off-balance sheet liabilities	484,091,555	484,091,555	484,091,555	-	-
Guarantees	53,735,658	53,735,658	53,735,658	-	-
Documentary credit	24,813,773	24,813,773	24,813,773	-	-
Acceptance	31,898,963	31,898,963	31,898,963	-	-
Other contingent items	158,412,926	158,412,926	158,412,926	-	-
Commitment for unutilised facilities	213,889,629	213,889,629	213,889,629	-	-
Other commitments	1,340,606	1,340,606	1,340,606	-	-
Shareholders' equity	107,548,804	124,586,174	-	-	-
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	4,188,723	25,687,543	-	-	-
Accumulated other comprehensive income	1,838,203	-	-	-	-
Other reserves	53,899,385	51,276,138	-	-	-

TABLE - 11 GROUP: ASSESSMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS) AS AT 31ST DECEMBER 2020

	Rs 000
Size Indicator	
Section 1 - Total exposure	
Total exposure measure	1,424,913,428
Interconnectedness Indicators	
Section 2 - Intra-financial system assets	
a. Funds deposited with or lent to other financial institutions	38,746,000
(i) Funds deposited	14,368,789
(ii) Lending	24,377,211
b. Holdings of securities issued by other financial institutions	9,593,405
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	161,614
d. Over the counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	1,050,033
Intra-financial system assets	49,551,052
Section 3 - Intra-financial system liabilities	
a. Funds deposited by or borrowed from other financial institutions	66,735,046
(i) Funds deposited	6,730,427
(ii) Borrowings	60,004,619
b. Net negative current exposure of securities financing transactions with other financial institutions	837,659
c. Over the counter derivatives with other financial institutions that have a net negative mark to market value	2,734,961
Intra-financial system liabilities	70,307,666
Section 4 - Securities outstanding	
Securities outstanding	34,320,451
Substitutability/Financial Institution Infrastructure Indicators	
Section 5 - Payments made in the reporting year (excluding intra-group payments)	
Payments activity	5,521,458,659
Section 6 - Assets under custody	
Assets under custody	4,545,657
Section 7 - Underwritten transactions in debt and equity markets	
Underwriting activity	-
Section 8 - Trading volume	
a. Number of shares or securities	-
b. Value of the transactions	-
Complexity Indicators	
Section 9 - Notional amount of over the counter (OTC) derivatives	
OTC derivatives	158,412,925
Section 10 - Level 2 assets	
Level 2 assets	6,386
Section 11 - Financial assets recognised through profit or loss - measured at fair value & financial assets - fair value through other comprehensive income	
a. Debt instruments	29,926,037
b. Equity instruments	3,625,450
c. Derivatives	2,186,515
Section 12 - Cross jurisdictional liabilities	
Cross jurisdictional liabilities (excluding derivatives and intra-group liabilities)	27,136,722
Section 13 - Cross jurisdictional claims	
Cross jurisdictional claims (excluding derivatives and intra-group claims)	41,568,837

GRI CONTENT INDEX

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX - 'IN ACCORDANCE COMPREHENSIVE'



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PAR - Printed Annual Report

SDAR - Supplementary Disclosures of Annual Report

GRI 102: General Disclosures

GRI General Disclosures	Page number(s)	Remarks
1. Organisational Profile		
102-1	Name of the organisation	PAR - 17, Inner Back Cover
102-2	Activities, brands, products and services	PAR - 17-19
102-3	Location of headquarters	Inner Back Cover
102-4	Location of operations	PAR - 92
102-5	Ownership and legal form	Inner Back Cover
102-6	Markets served	PAR - 64 & SDAR - 11
102-7	Scale of the organisation	PAR - 11,13,43
102-8	Information on other employees and other workers	SDAR - 31
102-9	Supply chain	(Financial Inclusion Agenda) PAR - 76 & SDAR - 39
102-10	Significant changes to the organisation and its supply chain	PAR - 36-41 There were no significant changes to the supply chain during the reporting period.
102-11	Precautionary principle or approach	(Customer Convenience & Environmental Protection and Conservation) SDAR - 32, 47-49
102-12	External initiatives	PAR - 4
102-13	Membership of associations	PAR - 51
2. Strategy		
102-14	Statement from senior decision-maker	PAR - 30-35
102-15	Key impacts, risks and opportunities	PAR - 108-116
3. Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	PAR - 16,146,149
102-17	Mechanisms for advice and concerns about ethics	(Anti-Corruption Practices) PAR - 121 & SDAR - 21
4. Governance		
102-18	Governance structure	PAR - 45,124-125
102-19	Delegating authority	PAR - 45,124-125
102-20	Executive level responsibility for economics, environmental and social topics	PAR - 45,124-125
102-21	Consulting stakeholders on economic, environmental and social topics	PAR - 45,129,141,149
102-22	Composition of the highest governance body and its committees	PAR - 22-25,121-122, 131-132
102-23	Chair of the highest governance body	PAR - 22,30-35,131
102-24	Nominating and selecting the highest governance body	PAR - 121-122,135,175-176
102-25	Conflicts of interest	PAR - 102,143,145,150,152, 162,164
102-26	Role of highest governance body in setting purpose, values and strategy	PAR - 45,146

GRI General Disclosures		Page number(s)	Remarks
102-27	Measures taken to develop and enhance the collective knowledge of the highest governing body on economic, environmental and social topics	PAR - 129,131,135,148	Regardless to the challenges and difficulties experienced by the organisation due to the COVID-19 pandemic, the awareness and improvement of the Board on socio-economic and environmental aspects have been enhanced during the period under review. Adopting to the digital platforms by reducing the carbon costs associated to operate a physical Board Room, while improving the effectiveness of the meetings can be prompted as a key development. The trainings & presentations conducted by both internal and external resource personnel who holds expertise in socio-economic and environmental aspects were significant to enhance the knowledge and sense of the apex body, to improve its knowledge on the respective areas. Structured Induction Programmes followed by the newly appointed Directors had fostered to enhance the collective knowledge of the Board on socio-economic and environment related topics.
102-28	Processes and actions taken in response to evaluation of the performance of the highest governance body's in respect to governance of performance economic, environmental and social topics	PAR - 135,137,148	
102-29	Identifying and managing economic, environmental, and social impacts	PAR - 45,129,148 & SDAR - 47-49	
102-30	Effectiveness of risk management processes	PAR - 108-116,144,148, 161-162,177-179	
102-31	Review of economic, environmental, and social topics	PAR - 44-46,148 & SDAR - 47-49	The economic, social and environmental impacts to the business had been considered when taking decisions by the Board and by its sub-committees.
102-32	Highest governance body's role in sustainability reporting	PAR - 44-46,129,148	
102-33	Communicating critical concerns	PAR - 45,47,140,149,172 & SDAR - 37	

GRI CONTENT INDEX

GRI General Disclosures		Page number(s)	Remarks
102-34	Nature and total number of critical concerns	PAR - 166,172	Two (02) concerns were reported through Whistle Blowing. The reported cases were addressed in accordance with the Whistle Blowing Policy and initiated Audit Investigations. Findings and recommendations were reported to the Board Audit Committee, Board of Directors. The recommendations relating to process improvement/ internal controls were shared with the management and the report were sent to the disciplinary committee to take appropriate actions.
102-35	Remuneration policies	PAR - 138-139,160,164, 173-174	
102-36	Process for determining remuneration	PAR - 138-139,160,173-174	
102-37	Stakeholders' involvement in remuneration		*
102-38	Annual total compensation ratio of highest paid individual		*
102-39	Percentage increase in annual total compensation ratio of highest paid individual		*
5. Stakeholder engagement			
102-40	List of stakeholder groups	PAR - 47-51	
102-41	Collective bargaining agreements		There is no collective bargaining agreement between the Bank & SBEA. However, the relationship between two parties remains cordial.
102-42	Identifying and selecting stakeholders	PAR - 47-51	
102-43	Approach to stakeholder engagement	PAR - 47-51	
102-44	Key topics and concerns raised	PAR - 47-51	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	PAR - 95	
102-46	Defining report content and topic boundaries	PAR - 4,6-9	
102-47	List of material topics	PAR - 6-9	
102-48	Restatements of information		There are no restatements in sustainability reporting criteria.
102-49	Changes in reporting	PAR - 7,8	Out of the 21 Material Topics for 2020, 20 remained unchanged from the previous year. The only new topic that became relevant in 2020 was the "COVID-19 pandemic and its impact".
102-50	Reporting period	PAR - 4	
102-51	Date of most recent report	PAR - 5	
102-52	Reporting cycle	PAR - 4	
102-53	Contact point for questions regarding the report	PAR - 5	

* Information cannot be disclosed due to confidentiality reasons.

GRI General Disclosures		Page number(s)	Remarks
102-54	Claims of reporting in accordance with the GRI Standards	PAR - 4	This report has been prepared in accordance with the GRI Standards-Comprehensive option.
102-55	GRI content index	PAR - 364-371	
102-56	External assurance	PAR - 5,372	

GRI Specific Disclosures

GRI Specific Disclosures		Page number(s)	Remarks
Economic Topics			
GRI 201: Economic Performance			
103-1	Explain the material topics & its boundary	(Profitability and Financial	
103-2	The Management Approach and its components	Stability) PAR - 8 &	
103-3	Evaluation of the Management Approach	SDAR - 3-4	
201-1	Direct Economic Value generated and distributed	PAR - 349	
201-2	Financial implications and other risks and opportunities due to climate change		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 our business.
201-3	Defined benefit plan obligations and other retirement plans	PAR - 218,237-238	
201-4	Financial assistance received from government		As we are a private sector organisation, there is no direct or indirect financial assistance (grants) received from the government.
GRI 202: Market Presence			
103-1	Explain the material topics & its boundary	(Profitability and Financial	
103-2	The Management Approach and its components	Stability) PAR - 8 &	
103-3	Evaluation of the Management Approach	SDAR - 3-4	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	(Profitability and Financial Stability) SDAR - 3-4	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.
202-2	Proportion of senior management hired from the local community		All senior managers of the Bank are local hires (Sri Lankans).
GRI 203: Indirect Economic Impacts			
103-1	Explain the material topics & its boundary	(Profitability and Financial	
103-2	The Management Approach and its components	Stability) PAR - 8 &	
103-3	Evaluation of the Management Approach	SDAR - 3-4	
203-1	Infrastructure investments and services supported	PAR - 74-76 & SDAR - 42-46	
203-2	Significant indirect economic impacts	PAR - 74-76 & SDAR - 42-46	
GRI 205: Anti - Corruption			
103-1	Explain the material topics & its boundary	(Anti-Corruption Practices)	
103-2	The Management Approach and its components	PAR - 8 & SDAR - 21	
103-3	Evaluation of the Management Approach		
205-1	Operations assessed for risks related to corruption	SDAR - 33	No fines were imposed by the regulators on the Bank pertaining to incidents of corruption in 2020.

GRI CONTENT INDEX

GRI Specific Disclosures	Page number(s)	Remarks
205-2	Communication and training about anti-corruption policies and procedures	85% of employees and 77% of Senior Management have received training on anti-corruption (inclusive of 3,443 e-learning user attempts).
205-3	Confirmed incidents of corruption and actions taken	No fines were imposed by the regulators on the Bank pertaining to incidents of corruption in 2020.
GRI 207: Tax		
103-1	Explain the material topics & its boundary	(Profitability and Financial
103-2	The Management Approach and its components	Stability) PAR - 8 &
103-3	Evaluation of the Management Approach	SDAR - 3-4
207-1	Approach to tax	(Profitability and Financial
207-2	Tax governance, control, and risk management	Stability) SDAR - 3-4
207-3	The approach to stakeholder engagement and management of stakeholder concerns related to tax	
207-4	Country-by-country reporting: All tax jurisdictions where the entities included in the organisation's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes	PAR - 208-343
Environmental Topics		
GRI 302: Energy		
103-1	Explain the material topics & its boundary	(Environmental Protection
103-2	The Management Approach and its components	and Conservation) PAR - 9 &
103-3	Evaluation of the Management Approach	SDAR - 47-49
302-1	Energy consumption within the organisation	PAR - 78 & SDAR - 50
302-2	Energy consumption outside the organisation	PAR - 78 & SDAR - 50
302-3	Energy intensity	PAR - 78 & SDAR - 50
302-4	Reduction of energy consumption	PAR - 78 & SDAR - 50
302-5	Reduction of energy requirements of products and services	This cannot be accurately calculated or measured in relation to specific products or services of the Bank.
GRI 305: Emissions		
103-1	Explain the material topics & its boundary	(Environmental Protection
103-2	The Management Approach and its components	and Conservation) PAR - 9 &
103-3	Evaluation of the Management Approach	SDAR - 47-49
305-1	Direct (Scope 1) GHG emissions	PAR - 79 & SDAR - 51
305-2	Energy indirect (Scope 2) GHG emissions	PAR - 79 & SDAR - 51
305-3	Other indirect (Scope 3) GHG emissions	PAR - 79 & SDAR - 51
305-4	GHG emissions intensity	PAR - 79 & SDAR - 51
305-5	Reduction of GHG emissions	PAR - 79 & SDAR - 51
305-6	Emissions of ozone-depleting substances (ODS)	Emissions of Ozone Depleting Substances (ODS) are insignificant, considering the nature of our business.
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	PAR - 79 & SDAR - 51
GRI 306: Effluents and Waste		
103-1	Explain the material topics & its boundary	(Environmental Protection
103-2	The Management Approach and its components	and Conservation) PAR - 9 &
103-3	Evaluation of the Management Approach	SDAR - 47-49

GRI Specific Disclosures		Page number(s)	Remarks
306-1	Water discharge by quality and destination	PAR - 78 & SDAR - 51	
306-2	Waste by type and disposal method	PAR - 78 & SDAR - 50	
306-3	Significant spills		Not relevant to the business of Banking.
306-4	Transport of hazardous waste		Not relevant to the business of Banking.
306-5	Water bodies affected by water discharges and/or runoff		No water bodies affected by water discharges and/or runoff.
Social Topics			
GRI 401: Employment			
103-1	Explain the material topics & its boundary	(Talent Acquisition and	
103-2	The Management Approach and its components	Management) PAR - 8 &	
103-3	Evaluation of the Management Approach	SDAR - 20	
401-1	New employee hires and employee turnover	SDAR - 28	
401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees	SDAR - 30	
401-3	Parental leave	SDAR - 28	
GRI 402: Labour/Management Relations			
103-1	Explain the material topics & its boundary	(Employee Relations) PAR - 8	
103-2	The Management Approach and its components	& SDAR - 22	
103-3	Evaluation of the Management Approach		
402-1	Minimum notice periods regarding operational changes		No collective agreement is in force, operational changes are informed in advance depending on the requirement.
GRI 403: Occupational Health and Safety			
103-1	Explain the material topics & its boundary	(Employee Relations) PAR - 8	
103-2	The Management Approach and its components	& SDAR - 22	
103-3	Evaluation of the Management Approach		
403-1	Occupational health and safety management system		Given the nature of our business as a Bank, our employees are not exposed to occupational health risks. Hence Sampath Bank does not have an occupational health and safety management system. However, precautionary measures have been taken by the Bank to ensure the safety of all persons (Employees, Customers, Suppliers and other visitors) within the Bank premises. The measures taken throughout 2020 in response to the COVID-19 challenges are described in detail in the Human Capital section. PAR - 70-72 & SDAR - 20-31
403-2	Hazard identification risk assessment and incident investigation		Being a bank, work related hazards are not observed. Hence, risk assessment and incident investigations on work-related hazards have not been carried out during the reporting period.
403-3	Occupational health services		All personal information including health related information is considered confidential. All records are maintained under lock and key, with access limited to authorised persons only.

GRI CONTENT INDEX

GRI Specific Disclosures	Page number(s)	Remarks
403-4	Worker participation, consultation, and communication on occupational health and safety	<p>Given the nature of our business as a Bank, 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.</p> <p>However, precautionary measures have been taken by the Bank to ensure the safety of all persons (Employees, Customers, Suppliers and other visitors) within the Bank premises. At the same time, Management works with a few cross-functional teams, including SBEA (Sampath Bank Employees' Association) and exchange ideas for the improvement of working conditions and the health & safety of employees.</p> <p>The measures taken throughout 2020 in response to the COVID-19 challenges are described in detail in the Human Capital section. PAR - 70-72 & SDAR - 20-31</p>
403-5	Worker training on occupational health and safety	<p>The Bank conducts Fire Safety and Emergency Evacuation Drills and related trainings on a planned basis as a safety measure.</p> <p>However, during 2020, we have not conducted such drills due to the outbreak of COVID-19.</p> <p>E-magazines and e-flyers on Health and Safety are published regularly.</p>
403-6	Promotion of worker health	<p>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. Annual medical screening facilities are provided to employees as a preventive measure.</p>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<p>Given the nature of our business, we do not observe any health and safety impacts of our operations, products and services by its business relationships.</p>
403-8	Workers covered by an occupational health and safety management system	<p>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.</p>
403-9	Work-related injuries	<p>No work-related injuries or incidents of work-related ill health were observed during the reporting period.</p>
403-10	Work-related ill health	

GRI Specific Disclosures		Page number(s)	Remarks
GRI 404: Training and Education			
103-1	Explain the material topics & its boundary	(Learning and Development)	
103-2	The Management Approach and its components	PAR - 8 & SDAR - 21	
103-3	Evaluation of the Management Approach		
404-1	Average hours of training per year per employee	SDAR - 30	
404-2	Programmes for upgrading employee skills and transition assistance programmes	SDAR - 29	
404-3	Percentage of employees receiving regular performance and career development reviews	SDAR - 29	
GRI 405: Diversity and Equal Opportunity			
103-1	Explain the material topics & its boundary	(Talent Acquisition and	
103-2	The Management Approach and its components	Management) PAR - 8 &	
103-3	Evaluation of the Management Approach	SDAR - 20	
405-1	Diversity of governance bodies and employees	SDAR - 30	
405-2	Ratio of basic salary and remuneration of women to men	SDAR - 30	
GRI 413: Local Communities			
103-1	Explain the material topics & its boundary	(Community Development)	
103-2	The Management Approach and its components	PAR - 9 & SDAR - 36	
103-3	Evaluation of the Management Approach		
413-1	Operations with local community engagement, impact assessments and development programmes	PAR - 46,74-76 & SDAR - 38,42-46	
413-2	Operations with significant actual and potential negative impacts on local communities		No incidents were reported during the reporting period.
GRI 416: Customer Health and Safety			
103-1	Explain the material topics & its boundary	(Customer Health and Safety)	
103-2	The Management Approach and its components	PAR - 9 & SDAR - 33	
103-3	Evaluation of the Management Approach		
416-1	Assessment of the health and safety impacts of product and service categories		As a service organisation, health and safety impacts of our products & service categories cannot be assessed.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		
GRI 417: Marketing and Labelling			
103-1	Explain the material topics & its boundary	(Sales Promotions, Marketing	
103-2	The Management Approach and its components	Communication and	
103-3	Evaluation of the Management Approach	Information Availability on Bank's Products and Services) PAR - 9 & SDAR - 33	
417-1	Requirements for product and service information and labelling	SDAR - 33	Product and service information are published in marketing communication material in all three languages (S/T/E).
417-2	Incidents of non-compliance concerning product and service information and labelling		No incidents were reported during the reporting period in this regard.
417-3	Incidents of non-compliance concerning marketing communications		No incidents were reported during the reporting period in this regard.
GRI 418: Customer Privacy			
103-1	Explain the material topics & its boundary	(Customer Privacy &	
103-2	The Management Approach and its components	Complaint Management)	
103-3	Evaluation of the Management Approach	PAR - 9 & SDAR - 34,35	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		Received 15 complaints and all these complaints have been resolved during the year 2020.

INDEPENDENT ASSURANCE REPORT TO THE SHAREHOLDERS OF SAMPATH BANK PLC



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Independent Assurance Report to Sampath Bank PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020

Introduction and scope of the engagement

The management of Sampath Bank PLC ("the Bank") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2020 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 349 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Comprehensive guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Bank's responsibility for the Report

The management of the Bank is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Comprehensive guidelines. This report is made solely to the Bank in accordance with our engagement letter dated 03 December 2020. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Bank or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the bank's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Bank on a sample basis through recalculation.

- Reconciling and agreeing the data on financial performance are properly derived from the Bank's audited financial statements for the year ended 31 December 2020.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Comprehensive guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 349 of the Report are properly derived from the audited financial statements of the Bank for the year ended 31 December 2020.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Bank's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Comprehensive.

Ernst & Young
Chartered Accountants

15 February 2021
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

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 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.

C

Capital Adequacy Ratio

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

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-Push Inflation

A continuous increase in average price levels due to an increase in production costs.

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).

GLOSSARY OF FINANCIAL AND BANKING TERMS

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.

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**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.

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.

GLOSSARY OF FINANCIAL AND BANKING TERMS

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

Relevant Activities

Relevant activities are activities of the investee that significantly affect the investee's returns.

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting of Sampath Bank PLC (the Company) will be held at the "Board Room" of the Bank on 4th Floor, Sampath Bank PLC, at No. 110, Sir James Peiris Mawatha, Colombo 02 to be convened through an "online virtual" platform by using "audio-visual" tools on 30th March 2021 at 10.00 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 2020 with the Report of the Auditors thereon.
3. To approve the cash dividend recommended by the Board of Directors as the first and final dividend for the financial year 2020 which will be payable as follows;
 - A Cash Dividend of Rs 8.25 per share, based on the number of shares in issue as at 15th February 2021 (381,457,985 shares) to be paid for the financial year ended 31st December 2020 at a total cost of Rs 3,147,028,376.25.
 - However, if the resolution on the proposed sub-division of shares (01:03) is approved by the shareholders at the Extraordinary General Meeting to be held on 17th March 2021 prior to the adoption of the final dividend resolution at the AGM, such final cash dividend shall be based on the new number of shares (1,144,373,955 shares) and would amount to Rs 2.75 per share. The total dividend will however remain at Rs 3,147,028,376.25.
4. To elect Mr Vajira Kulatilaka 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.
5. To elect Mr Harsha Amarasekera 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 elect Mrs Keshini Jayawardena 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.
7. To elect Mr Ajantha de Vas Gunasekara 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.
8. To elect Mr Vinod Hirdaramani 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.
9. To re-elect Mr Deshal de Mel 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.
10. To re-elect Ms Aroshi Nanayakkara 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.
11. To re-elect Dr Sanjiva Weerawarana 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.
12. To approve the donations and contributions made by the Directors during the year under review.
13. 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,

R. L. S. Senarathne

LASANTHA SENARATNE
Company Secretary

Colombo, Sri Lanka
16th February 2021

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 instrument appointing a Proxy must be deposited at the Registered Office of the Company at No. 110, Sir James Peiris Mawatha, Colombo 02, **not less than forty eight (48) hours before** the time fixed for holding of the Meeting.

STAKEHOLDER FEEDBACK FORM

To request information or submit a comment/query to the Bank, please complete the following and return this page to:

COMPANY SECRETARY,

Sampath Bank PLC,
No. 110, Sir James Peiris Mawatha,
Colombo 02, Sri Lanka.
e-mail: company_secretary@sampath.lk
Tel : +94 (011) 4730652/420/548
Fax : +94 (011) 2303070

We also appreciate your comments on this Annual Report.

WHICH STAKEHOLDER GROUP/S DO YOU BELONG TO? (YOU MAY TICK MORE THAN ONE)

Employee	<input type="checkbox"/>	Public Authority	<input type="checkbox"/>
Shareholder	<input type="checkbox"/>	Regulatory Body	<input type="checkbox"/>
Investor	<input type="checkbox"/>	Student	<input type="checkbox"/>
Customer	<input type="checkbox"/>	Journalist	<input type="checkbox"/>
Supplier	<input type="checkbox"/>	NGO	<input type="checkbox"/>
Service Provider	<input type="checkbox"/>	Special Interest Group	<input type="checkbox"/>
Community	<input type="checkbox"/>	Other	<input type="checkbox"/>

RATE YOUR OVERALL IMPRESSION OF THIS REPORT IN TERMS OF:

	Excellent	Good	Fair	Poor
CONTENT AND SCOPE				
Informative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transparent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustworthy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comprehensive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
User Friendly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Design and Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FORM OF PROXY

THIRTY FIFTH ANNUAL GENERAL MEETING

Sampath Bank PLC
110, Sir James Peiris Mawatha,
Colombo 02.

I/We.....
bearing NIC No.of.....
being a member/members of Sampath Bank PLC (the Company) hereby appoint Mr/Mrs/Miss/Ven/Rev.....
bearing NIC No.of..... whom failing:

1	Mr Harsha Amarasekera	failing him	7	Mr Vajira Kulatilaka	failing him
2	Mr Rushanka Silva	failing him	8	Mrs Keshini Jayawardena	failing her
3	Mr Deshal de Mel	failing him	9	Mr Vinod Hirdaramani	failing him
4	Mr Dilip de S Wijeyeratne	failing him	10	Mr Nanda Fernando	failing him
5	Ms Aroshi Nanayakkara	failing her	11	Mr Ajantha de Vas Gunasekara	
6	Dr Sanjiva Weerawarana	failing him			

as my/our proxy to participate and vote for me/us on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held at the "Board Room" of the Bank on 4th Floor, Sampath Bank PLC, at No. 110, Sir James Peiris Mawatha, Colombo 02, to be convened through an "online virtual" platform by using "audio-visual" tools on 30th March 2021 at 10.00 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.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To receive and consider the Statement of Audited Accounts for the year ended 31st December 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To approve the cash dividend recommended by the Board of Directors as the first and final dividend for the financial year 2020 set out in the Notice convening the meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To elect Mr Vajira Kulatilaka 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.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To elect Mr Harsha Amarasekera 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.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To elect Mrs Keshini Jayawardena 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.	<input type="checkbox"/>	<input type="checkbox"/>
7.	To elect Mr Ajantha de Vas Gunasekara 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.	<input type="checkbox"/>	<input type="checkbox"/>
8.	To elect Mr Vinod Hirdaramani 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.	<input type="checkbox"/>	<input type="checkbox"/>
9.	To re-elect Mr Deshal de Mel 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.	<input type="checkbox"/>	<input type="checkbox"/>
10.	To re-elect Ms Aroshi Nanayakkara 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.	<input type="checkbox"/>	<input type="checkbox"/>
11.	To re-elect Dr Sanjiva Weerawarana 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.	<input type="checkbox"/>	<input type="checkbox"/>
12.	To approve the donations and contributions made by the Directors during the year under review.	<input type="checkbox"/>	<input type="checkbox"/>
13.	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.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on thisday of 2021

Signature NIC/PP/Co. Reg. No. of Shareholder/s

- Note: 1. Proxy need not be a member of the Company
2. Instructions regarding completion of Proxy are given in 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, **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 names of the Board of Directors on the Proxy Form.
4. Article No. 73 of the Articles of Association of 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 authorised 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 indicate with an 'X' in the space provided, how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his/her discretion, will vote as he/she thinks fit.
6. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
7. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.

Name of Shareholder :

NIC No./Passport No./Co. Reg No. of Shareholder :

Membership No./Share Certificate No. :

CDS A/C No. [if applicable] :

No. of Shares :

Name of Proxy holder :

NIC No./Passport No. of Proxy holder :

CORPORATE INFORMATION

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. 7 of 2007. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

COMPANY REGISTRATION NUMBER

PQ 144

HEAD OFFICE & 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

BSAMLKX

E-MAIL

mgr@oper.sampath.lk
info@sampath.lk

WEB PAGE

www.sampath.lk

AUDITORS

Messrs Ernst & Young
Chartered Accountants

LAWYERS

Messrs Nithya Partners
Attorneys-at-Law

COMPANY SECRETARY

Mr Lasantha Senaratne
Attorney-at-Law

ASSISTANT COMPANY SECRETARY

Mr Muditha Walpola
Attorney-at-Law

STOCK EXCHANGE LISTINGS (AS AT 31ST DECEMBER 2020)

381,457,985 Ordinary Shares

60,000,000 Listed Rated Unsecured Subordinated Redeemable Debentures of Rs 100/- each - 2016/2021

60,000,000 Basel III Compliant - Tier II Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion of Rs 100/- each - 2017/2022

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

VAT REGISTRATION NUMBER

134001194 - 7000

CREDIT RATING

Fitch Rating: Fitch Ratings Lanka Limited has assigned National Long Term Rating of 'AA- (lka) with Stable outlook' to Sampath Bank PLC

BOARD OF DIRECTORS

Mr Harsha Amarasekera
Chairman/Non-Independent,
Non-Executive Director

Mr Rushanka Silva
Deputy Chairman/Non-Independent,
Non-Executive Director

Mr Deshal de Mel
Senior Independent Director,
Non-Executive Director

Mr Dilip de S Wijeyeratne
Independent, 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 Nanda Fernando
Managing Director

Mr Ajantha de Vas Gunasekara
Executive Director/
Group Chief Financial Officer

(*Mr Vinod Hirdaramani was appointed to the Board w.e.f. 16.02.2021)

SUBSIDIARY COMPANIES

Name of the Company	Holding %	Nature of Business
Sampath Centre Ltd	100.00	Renting of commercial property
SC Securities (Pvt) Ltd	100.00	Stock broking
Siyapatha Finance PLC	100.00	Granting leasing, hire purchase, factoring & other loan facilities & accepting deposits
Sampath Information Technology Solutions Ltd	100.00	Software development, renting of IT equipment, IT resource outsourcing & consultancy

FOR INVESTOR RELATIONS AND CLARIFICATIONS ON THE REPORT, PLEASE CONTACT

The 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

www.sampath.lk



Sampath Bank

WE PRESENT YOUR FUTURE