

BOC opens the largest ever Sustainability Bond Issue to expand green and social lending



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Sri Lanka's financial sector is increasingly embracing instruments that balance economic growth with environmental stewardship and social inclusion. In this context, the Bank of Ceylon (BOC) has announced the largest-ever Sustainability Bond issuance in the country, aimed at expanding sustainable lending while strengthening the Bank's capital base.

BOC plans to issue a listed, rated, unsecured, subordinated, redeemable five-year Sustainability Bond, fully compliant with Basel III Tier II requirements and incorporating a non-viability write-down mechanism. The bonds will be denominated in Sri Lankan Rupees and listed on the Colombo Stock Exchange. Investors can choose between a fixed annual interest rate of 10.50 percent or a floating rate of two percent above the weighted average 12-month Treasury bill rate, reset annually, with interest paid once a year. The issue is rated AA- (Stable) by Lanka Rating Agency, while BOC holds an AA-(Ika)/Stable issuer rating from Fitch Ratings Lanka.

The initial issue consists of 100 million bonds at 100 rupees each, raising ten billion rupees, with the option to increase the total offering to 200 million bonds and raise up to 20 billion rupees. The proceeds will strengthen BOC's Tier II capital, potentially increasing its Capital Adequacy Ratio from 16.76 to 18.48 percent, while supporting liquidity and asset-liability management.

All funds will be allocated to eligible social and green projects under BOC's Sustainable Finance Framework, aligned with ICMA principles, the Sri Lanka Green Finance Taxonomy, and the country's Paris Agreement commitments. Up to 75 percent of proceeds will support social projects such as MSME financing, food security, healthcare, education and essential infrastructure, while the remainder will fund green initiatives including renewable energy, energy efficiency, clean transport, water management and waste solutions.